

CHICAGO AND



TRANSPORTATION COMPANY

File No. A-12213

4-082A074

OFFICE OF THE SECRETARY

DIRECT DIAL NUMBER

312 - 559-6164

March 21, 1984

14296

No.

MAR 22 1984

Date

Fee \$

100.00

INTERSTATE COMMERCE COMMISSION

ICC Washington, D.C.

14296

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
Washington, D.C. 20423

MAR 22 1984 - 10 15 AM

INTERSTATE COMMERCE COMMISSION

Dear Ms. Mergenovich:

Pursuant to Section 11303 (formerly Section 20c) of the Interstate Commerce Act, enclosed for recordation are counterparts of Finance and Security Agreement and Equipment Lease Agreement dated as of March 1, 1984 covering one hundred and five (105) various units of Maintenance of Way equipment listed in Schedule A attached to the Agreement.

The names and addresses of the parties to the transaction are as follows:

1. Chicago and North Western Transportation Company, Lessee, One North Western Center, Chicago, IL 60606
2. Sheridan II Leasing Corporation, Lessor, One American Plaza, Evanston, IL 60201
3. U. S. Steel Credit Corporation, Lender, 600 Grant Street, Pittsburgh, PA 15230

Enclosed are two checks each in the amount of \$50.00 for your recording fee. Keep one counterpart for your files and return the other counterparts showing your recordation data.

Sincerely,

Robin Bourne-Caris

Robin Bourne-Caris
Assistant Secretary

Enclosure

cc: R. D. Smith
R. A. Jahnke
R. F. Guenther

D. E. Stockham, Attn: P. J. Brod
Arthur Andersen & Co.,
Attn: P. Keglevic

cs/f-185

Interstate Commerce Commission

Washington, D.C. 20423

3/22/84

OFFICE OF THE SECRETARY

Robin Bourne-Caris
Assist. Secretary
Chicago & NorthWestern Transp. Co.

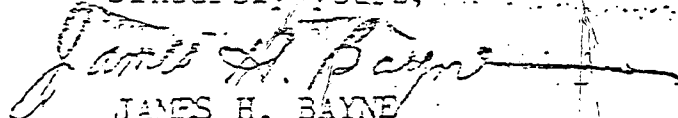
One North Western Center
Chicago, Illinois 60606

Dear

Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/22/84 at 10:15am and assigned re-recording number(s). 14296 & 14296-A

Sincerely yours,



JAMES H. BAYNE

Secretary

Enclosure(s)

SE-30
(7/79)

14296

REGISTRATION NO. _____ Filed 1428

MAR 22 1984 - 10 15 AM

FINANCE AND SECURITY AGREEMENT INTERSTATE COMMERCE COMMISSION

SHERIDAN II LEASING CORPORATION

Lessor,

U.S. STEEL CREDIT CORPORATION

Lender,

and

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

Lessee

Dated as of March 1, 1984

TABLE OF CONTENTS

	<u>Page</u>
A. DEFINITIONS	
A.1. <u>Definitions</u>	1
B. PURCHASE OF EQUIPMENT; NOTES	
B.1. <u>Purchase of Equipment; Purchase of Notes</u>	5
B.2. <u>Closing</u>	6
B.3. <u>Conditions Precedent to Purchase by Lender</u>	7
B.4. <u>Representations and Warranties</u>	9
B.5. <u>Limitation of Lessor's Liability</u>	12
B.6. <u>Application of Rents and Other Proceeds</u>	13
B.7. <u>Mandatory Prepayments</u>	14
B.8. <u>Exchange of Notes</u>	15
B.9. <u>Expiration of Commitment of Lender</u>	15
C. SECURITY	
C.1. <u>Grant of Security</u>	15
C.2. <u>Lender as Agent</u>	18
C.3. <u>Perfecting Security</u>	18
C.4. <u>Title to Collateral</u>	19
C.5. <u>Performance by Lessor</u>	19
C.6. <u>Performance by Lender</u>	20
C.7. <u>Protection of Security</u>	20
C.8. <u>Disclaimer by Lender</u>	20
C.9. <u>Amendments to Agreements</u>	20
C.10. <u>Indemnity for Acts of Lessor</u>	21

	<u>Page</u>
C.11. <u>Notices with Respect to Lease</u>	21
C.12. <u>Lessor's Records</u>	21
D. DEFAULT	
D.1. <u>Defaults</u>	21
D.2. <u>Effect of a Default</u>	22
D.3. <u>Right to Cure</u>	25
D.4. <u>Right to Purchase Notes</u>	26
D.5. <u>Waiver By Lessor</u>	26
D.6. <u>Right to Purchase Collateral</u>	26
D.7. <u>Cumulative Rights</u>	26
E. MISCELLANEOUS	
E.1. <u>Successors and Assigns</u>	27
E.2. <u>Governing Law and Counterparts</u>	27
E.3. <u>No Guarantee</u>	27
E.4. <u>Notices</u>	27
E.5. <u>Default Expenses</u>	28
E.6. <u>Execution</u>	28
ACKNOWLEDGMENTS	20
EXHIBIT A - Amortization Schedule	
EXHIBIT B - Nonrecourse Secured Note (Schedule X Equipment)	
EXHIBIT C - Nonrecourse Secured Note (Schedule Y Equipment)	
EXHIBIT D - Opinion of Counsel for Lessor	
EXHIBIT E - Equipment Lease Agreement	

FINANCE AND SECURITY AGREEMENT

This FINANCE AND SECURITY AGREEMENT dated as of the 1st day of March, 1984 by and among Sheridan II Leasing Corporation ("Lessor"), U.S. Steel Credit Corporation ("Lender"), and Chicago and North Western Transportation Company ("Lessee"),

W I T N E S S E T H:

WHEREAS, Lessor and Lessee propose to enter into the Lease;

WHEREAS, Lessor proposes to acquire the Equipment from the Vendor pursuant to the Assignment; to finance a portion of the purchase price of the Items by issuing and selling its Notes on a nonrecourse basis to Lender; to lease the Equipment to Lessee under the Lease simultaneously with its acquisition of the Equipment; and to secure its obligations under the Notes by a grant hereunder to Lender of a security interest in the Equipment, the Assignment and the Lease;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

A. DEFINITIONS

A.1. Definitions. Terms defined in the Lease when used herein shall have the same meanings as in the Lease unless otherwise defined or the context otherwise requires. The following terms, when capitalized and used herein or in the Lease, are hereby defined as follows:

"AAR" shall mean the American Association of Railroads.

"Abatement" shall have the meaning specified in Section 1 of the Lease.

"Acceptance Date" shall have the meaning specified in Section 9 of the Lease.

"Assignment" shall mean the General Assignment of Purchase Orders, dated as of the date hereof, between North Western Leasing Company and Lessor substantially in the form of Exhibit E annexed to the Lease.

"Base Lease Commencement Date" shall have the meaning specified in Section 2 of the Lease.

"Base Lease Term" shall have the meaning specified in Section 2 of the Lease.

"Business Day" shall mean any day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Pittsburgh, Pennsylvania or Chicago, Illinois are authorized or obligated to remain closed.

"Certificate of Inspection and Acceptance" shall mean a certificate delivered to the Lender in accordance with Section 9 of the Lease.

"Closing" shall mean the closing hereunder to be held on any Closing Date.

"Closing Date" shall mean the date or dates indicated as such by notice to Lender as required by Section B.2 hereof, none of which shall be later than August 31, 1984.

"Code" shall have the meaning specified in Section 3 of the Lease.

"Collateral" shall have the meaning specified in Section C.1 hereof.

"Cost" shall have the meaning specified in Section 3 of the Lease.

"Default" shall mean any of the defaults and Events of Default described in Section D.1 hereof.

"Discount Rate" shall have the meaning specified in Subsection 16(c) of the Lease.

"Economic Casualty" shall have the meaning specified in Section 13 of the Lease.

"Equipment" shall have the meaning specified in the preamble to the Lease.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" shall have the meaning specified in Section 16 of the Lease.

"Event of Loss" shall have the meaning specified in Section 13 of the Lease.

"Excepted Rights in Collateral" shall have the meaning specified in Subsection C.1(a) hereof.

"Fair Market Rental Value" shall have the meaning specified in Subsection 16(c) of the Lease.

"Fair Market Sales Value" shall have the meaning specified in Subsection 16(c) of the Lease.

"Indebtedness" shall have the meaning specified in Section C.1 hereof.

"Indemnified Party" shall have the meaning specified in Section 14 of the Lease.

"Indemnity Agreement" means the Indemnity Agreement entered into between Lessor and Lessee as of the date hereof.

"Independent Appraiser" shall have the meaning specified in Subsection 16(c) of the Lease.

"Interim Lease Commencement Date" shall have the meaning specified in Section 2 of the Lease.

"Item" or "Item of Equipment" shall have the meaning specified in the first recital of the Lease.

"Lease" shall mean the Equipment Lease Agreement between Lessor and Lessee, dated as of the date hereof, substantially in the form of Exhibit E annexed hereto.

"Lender" shall mean U.S. Steel Credit Corporation, a Delaware corporation.

"Lessee" shall mean Chicago and North Western Transportation Company, a Delaware corporation.

"Lessor" shall mean Sheridan II Leasing Corporation, a Delaware corporation.

"Lien" shall have the meaning specified in Section 19 of the Lease.

"Net Proceeds of Sale" shall have the meaning specified in Section 16(c) of the Lease.

"Note" or "Notes" shall mean the notes of Lessor issued in connection with the financing of a portion of the Cost of the Equipment, such notes to be substantially in the form of Exhibits B and C hereto.

"Overdue Rate" shall have the meaning specified in Section 3 of the Lease.

"Permitted Liens" shall mean with respect to the Security Equipment: (i) the security interest created by this Agreement and the rights of Lessee under the Lease; (ii) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings diligently con-

ducted so long as such proceedings shall stay the enforcement thereof and the sale or forfeiture of the Equipment or any part thereof or interest therein; and (iii) undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or employees' liens or other like liens arising in the ordinary course of business and securing obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended (but only for the duration of such suspension); (iv) the sublease interest of a sublessee pursuant to any sublease permitted pursuant to Section 15 of the Lease; and (v) liens attaching only to the leasehold interest of Lessee under the Lease by reason of (x) any mortgage entered into after the date hereof under which Lessee is the mortgagor covering all or substantially all of Lessee's railroad properties or (y) the existence of any after-acquired property clause in any existing mortgage under which Lessee is the mortgagor covering all or substantially all of Lessee's railroad properties.

"Prime Rate" shall have the meaning specified in Subsection 16(c) of the Lease.

"Purchase Commitment" for each Item being settled for on any Closing Date shall be 74.501% of the Cost for such Item.

"Purchase Orders" shall have the meaning set forth in the Assignment.

"Renewal Term" and "Renewal Terms" shall have the meaning specified in Section 2 of the Lease.

"Rental" and "Rentals" shall have the meaning specified in Section 3 of the Lease.

"Rental Payment Date" and "Rental Payment Dates" shall have the meaning specified in Section 3 of the Lease.

"Repossess" shall have the meaning specified in Subsection 16(b) of the Lease.

"Schedule X Equipment" means Equipment settled for hereunder prior to July 1, 1984.

"Schedule Y Equipment" means Equipment settled for hereunder after June 30, 1984 and prior to September 1, 1984.

"Schedule Y Base Percentage" shall have the meaning specified in Section 3 of the Lease.

"Schedule Y Interim Percentage" shall have the meaning specified in Section 3 of the Lease.

"Schedule Y Stipulated Loss Percentage" shall have the meaning specified in Section 13 of the Lease.

"Security Equipment" shall have the meaning specified in Section C.1 hereof.

"Stipulated Loss Value" shall have the meaning specified in Section 13 of the Lease.

"Supplemental Rent" shall have the meaning specified in Section 3 of the Lease.

"Taxes" or "Indemnified Taxes" shall have the meaning specified in Section 4 of the Lease.

"Term" shall have the meaning specified in Section 2 of the Lease.

"Vendor" shall mean each manufacturer or other entity selling any Item of Equipment to Lessor.

B. PURCHASE OF EQUIPMENT; NOTES

B.1. Purchase of Equipment; Purchase of Notes.

Subject to the terms and conditions hereof and the fulfillment of the conditions precedent set forth in Section 25 of the Lease, on each Closing Date Lessor will pay each Vendor from whom an Item of Equipment is being purchased on such Closing Date an amount which shall equal 25.499% of the Cost of each Item of Equipment for which settlement is to be made with such Vendor on such Closing Date, together with an amount equal to 74.501% of the Cost of such Item from the proceeds of the Note or Notes issued by Lessor on such Closing Date. Subject to fulfillment of the conditions specified in Section B.3 hereof, Lessor agrees to issue and sell to Lender and Lender agrees to purchase from Lessor on each Closing Date, a Note or Notes in the aggregate principal amount determined as provided in Section B.2 and payable to the order of Lender (or to the order of such nominee of Lender as Lender may specify by written notice delivered to Lessor not less than one (1) business day prior to the Closing Date); provided, however, that the aggregate principal amount of the Notes purchased hereunder prior to September 1, 1984 shall not exceed \$8,008,857.50; and provided further that the aggregate principal amount of the Notes purchased after June 30, 1984 and prior to September 1, 1984 shall not exceed \$1,341,018. Each Note purchased hereunder prior to July 1, 1984 shall be purchased at a price equal to 100% of the principal amount of such Note (which shall be equal to the Purchase Commitment with respect to all Items being settled for on such Closing Date), shall be dated the Closing Date and shall bear interest and be repayable consistent with the amortization schedule set forth in Exhibit A hereto, and shall otherwise be substan-

tially in the form of Exhibit B hereto. Each Note purchased hereunder after June 30, 1984 and prior to September 1, 1984 shall be purchased at a price equal to 100% of the purchase price of such Note (which shall be equal to the Purchase Commitment with respect to all Items being settled for on such Closing Date), shall be dated the Closing Date, shall bear interest at a rate equal to the greater of (i) 13-3/4% per annum or (ii) a rate per annum equal to the then current yield on the Closing Date for United States Treasury 10-1/8% Notes maturing November, 1994, plus 1.5%, and shall otherwise be repayable as and be substantially in the form of Exhibit C hereto. If on any Closing Date the aggregate Cost of all Items of Equipment for which settlement has theretofore been and is then being made would, but for the provisions of this sentence, exceed \$10,750,000, the Lessor, Lessee and any applicable Vendor will enter into an agreement excluding from this Agreement, the Lease and the Assignment such Item or Items of Equipment then proposed to be settled for and specified by Lessee as will be required, after giving effect to such exclusion, to reduce such aggregate Cost to not more than \$10,750,000, and the Lessor will have no further obligations with respect to the Items of Equipment so excluded. If on any Closing Date occurring after June 30, 1984 the aggregate cost of all Items of Schedule Y Equipment for which settlement has theretofore been made and for which settlement is then being made would, but for the provisions of this sentence, exceed \$1,800,000, the Lessor, Lessee and any applicable Vendor will enter into an agreement excluding from this Agreement, the Lease and the Assignment such Item or Items of Equipment then proposed to be settled for and specified by Lessee as will be required, after giving effect to such exclusion, to reduce such aggregate Cost of Schedule Y Equipment to not more than \$1,800,000, and Lessor will have no further obligations with respect to the Items of Schedule Y Equipment so excluded.

B.2. Closing. Each Closing for the sale and purchase of Items of Equipment and of the Notes shall take place at the offices of Sidley & Austin, One First National Plaza, Chicago, Illinois 60603. Lessee shall give Lender and Lessor written notice of each Closing Date at least 5 days prior to such Closing Date, such notice indicating the date of such Closing Date and the Cost and the amount of the Purchase Commitment for all Items being settled for on such Closing Date. On such Closing Date, Lender shall make available to Lessor the Purchase Commitment for such Items in immediately available funds.

B.3. Conditions Precedent to Purchase by Lender. The obligation of Lender to purchase a Note hereunder on any Closing Date shall be subject to fulfillment of the following conditions on or prior to such Closing Date to the satisfaction of Lender:

(a) The following, fully executed documents shall have been delivered to Lender:

(i) this Agreement;

(ii) The Lease (with Lender receiving a copy marked "Counterpart Number 1"); and

(iii) the Assignment;

(b) Lender shall have received a Note with respect to the Items to be settled for on such Closing Date as provided in this Agreement with attached amortization schedule acceptable to Lender;

(c) All financing statements, security agreements and other documents with respect to the transactions contemplated hereby shall have been obtained and/or filed in all places which are, in the opinion of Lender, necessary or appropriate to perfect the security interest of Lender in the Collateral, and this Agreement and the Lease shall have been filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303;

(d) Lender shall have received an executed Certificate of Inspection and Acceptance with respect to each Item of Equipment to be settled for by Lessor on such Closing Date as contemplated by Section 9 of the Lease;

(e) Lender shall have received a duplicate invoice and bill of sale for each such Item certified by Lessee as to correctness of the prices stated therein;

(f) With respect to those Items of Equipment for which a security interest must be shown on the certificate of title, Lender shall have received copies of the manufacturer's statement of origin with respect to such Item showing the interest of Lessor and Lender therein;

(g) Lender shall have received certificates of such insurance as Lessee is required to maintain pursuant to Section 12 of the Lease;

(h) Lender shall have received certified copies, dated the first Interim Lease Commencement Date, of the appropriate proceedings of the respective boards of directors of Lessor and Lessee with respect to this Agreement, the Notes, the Lease, the Assignment and the other instruments contemplated herein and therein and to the execution, delivery and performance thereof by the respective party;

(i) The representations and warranties of Lessor contained herein and of Lessee contained in the Lease and of the Lessee's subsidiary in the Assignment, and of each such

party in any certificate delivered pursuant thereto and hereto shall be true and correct on and as of the first Interim Lease Commencement Date with the same effect as though made on and as of the first Interim Lease Commencement Date and Lender shall have received from each Lessor and Lessee a certificate to such effect dated the first Interim Lease Commencement Date signed by an officer of Lessor or Lessee, as the case may be; on such first Interim Lease Commencement Date there shall be no Default hereunder or Event of Default under the Lease, or the occurrence of any event which, but for the lapse of time or the giving of notice or both, would be such a Default or Event of Default, and Lender shall have received from Lessor a certificate to such effect dated the first Interim Lease Commencement Date signed by an officer of Lessor;

(j) Lender shall have received a signed opinion addressed to it, dated the first Interim Lease Commencement Date, of (i) Mr. Charles J. Hansen, Esq., legal counsel for Lessor, in the form of Exhibit D annexed hereto; and (ii) in-house legal counsel for Lessee as is acceptable to Lender in the form of Exhibit D to the Lease; (The opinion described in clause (ii) shall be addressed also to Lessor);

(k) The conditions set forth in Section 24 of the Lease shall have been fulfilled;

(l) Lender shall have received satisfactory evidence of a first perfected security interest in and lien upon the Collateral;

(m) Lender shall have received certificates from Lessor and Lessee signed by a Secretary or Assistant Secretary as to the authorization of each officer executing the Lease, this Agreement, the Assignment or the Notes on behalf of such entity and containing a specimen of the signature of each such authorized officer; and

(n) Lender shall have received such evidence of fulfillment of the foregoing conditions of this Section B.3 including, without limitation, certificates of officers of Lessee, Lessor, public officials and others, and such other information and documents as Lender may reasonably require.

B.4. Representations and Warranties.

(a) Lender represents and warrants that:

(i) Lender is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) Lender has the full power and authority to execute and deliver this Agreement and to carry out the transactions contemplated hereby;

(iii) This Agreement has been duly authorized, executed and delivered by Lender and constitutes the legal, valid and binding obligation of Lender enforceable against it in accordance with the terms hereof; subject, as to enforceability of remedies, to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity;

(iv) No authorization, consent, or approval of any governmental authority is required for the execution, delivery or performance by Lender of this Agreement;

(v) Lender is acquiring each Note for its own account for investment and not with a view to the distribution or resale thereof and subject to any requirement of law that the disposition of the Notes be at all times within its control;

(vi) Lessor has represented to Lender that the Notes have not been registered under the Securities Act of 1933, as amended, and that the Notes must be held indefinitely unless subsequent disposition thereof is registered under said Act or transferred in a transaction exempt from registration;

(vii) Each Note to be issued and sold to Lender pursuant hereto is being acquired by it with its general assets and no funds used to acquire such Note will be furnished directly or indirectly out of the assets of or in connection with any employee benefit plan (or its related trust) as defined in Section 3 of ERISA, except as otherwise fully disclosed in writing to Lessor; and

(viii) Each acquisition of a Note by Lender shall constitute a reaffirmation as of the date of acquisition of its representations and warranties contained in this paragraph (a).

(b) Lessor represents and warrants that:

(i) Lessor is a corporation duly organized, validly existing and in good standing under the laws of Delaware and authorized to do business in those jurisdictions where failure to be so authorized would have a material adverse impact on the conduct of its business;

(ii) Lessor has the full power and authority to execute and deliver this Agreement, the Lease, the Assignment and the Notes and to carry out the transactions contemplated hereby and thereby;

(iii) This Agreement, the Lease and the Assignment have been duly authorized, executed and delivered by Lessor, will not contravene any applicable provision of the Lessor's by-laws or certificate of incorporation or any other legal, organizational or contractual regulation or obligation binding upon the Lessor, and constitute legal, valid and binding obligations of Lessor enforceable against it in accordance with the terms thereto; subject, as to enforceability of remedies, to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity;

(iv) The Notes have been duly authorized by Lessor and, when executed and delivered by Lessor, will constitute legal, valid and binding obligations of Lessor enforceable against it in accordance with the terms thereof, subject, as to enforceability of remedies, to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity;

(v) No authorization, consent, or approval of any governmental authority is required for the execution, delivery or performance by Lessor of this Agreement, the Lease, the Assignment or the Notes;

(vi) Neither the execution, delivery or performance by Lessor of this Agreement, the Assignment, the Lease and the Notes, nor compliance with the terms and provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the terms, conditions or provisions of any law, governmental rule or regulation or the charter documents, as amended, or by-laws, as amended, of Lessor or any order, writ, injunction or decree of any court or governmental authority against Lessor or by which it or any of its properties is bound, or of any indenture, mortgage or contract or other agreement or instrument to which Lessor is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the

imposition of any lien, charge, or encumbrance not permitted by the Lease upon any of its properties;

(vii) On each Closing Date, Lessor shall have such title to each Item a portion of the Cost of which is being financed on such Closing Date as was conveyed to it by the Vendor thereof, free and clear of all liens, charges and encumbrances arising by, through or under Lessor unrelated to the transactions contemplated hereby and by the Lease, excepting Permitted Liens;

(viii) Neither Lessor nor, to its knowledge, anyone acting on its behalf has directly or indirectly offered any Notes, or similar securities relating to the Equipment, for sale to, or solicited any offer to acquire any of the same from, anyone other than Lender and no more than five (5) other institutional investors;

(ix) Lessor is acquiring its interest in the Equipment with its general assets and no funds used to acquire any Item will be furnished directly or indirectly out of the assets of or in connection with any employee benefit plan (or its related trust) as defined in ERISA, except as otherwise fully disclosed in writing to Lender and Lessee;

(x) There have been and will be no payments under the Lease prior to the payment of interim rental on the Base Lease Commencement Date;

(xi) Except as heretofore disclosed by Lessor to Lender in writing, there are no actions, suits or proceedings (whether or not purportedly on behalf of Lessor) pending, or to the knowledge of Lessor, threatened, against or affecting Lessor, at law or in equity, before or by any person or entity, which, if adversely determined, would have a material adverse effect on the business, properties or condition (financial or otherwise) of Lessor. Lessor is not in violation or default with respect to any applicable laws and/or regulations which materially affect the operations and/or condition (financial or otherwise) of Lessor nor is it in violation or default with respect to any order, writ, injunction, demand or decree of any court or any person or entity or in violation or default (nor is there any waiver in effect which if not in effect would result in a violation or default) in any material respect under any indenture, agreement or other instrument to which Lessor is a party or by which Lessor may be bound, default under which might

have consequences which would materially and adversely affect the business, properties or condition (financial or otherwise) of Lessor; and

(xii) Lessor will take such actions as Lender and Lessee reasonably request to cause this Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to Lender in such manner and in such place as may be reasonably requested by Lender in order to fully preserve and protect the rights of Lender hereunder.

(c) The Lessee represents and warrants that the representations and warranties set forth in Section 20 of the Lease are true and correct.

B.5. Limitation of Lessor's Liability. Lender agrees that, except as expressly set forth in Section C. 7 hereof, and anything herein or under the Notes to the contrary notwithstanding, its recourse for the satisfaction of the Indebtedness is limited solely to the "income and proceeds of the Equipment," which shall mean and include (except to the extent that any of the following items (i) through (iv) constitute Excepted Rights in Collateral) (i) the Rentals and Supplemental Rent, and proceeds therefrom; (ii) all amounts payable under the Lease in respect of an Event of Loss; (iii) any and all other payments received under any other provisions of the Lease; and (iv) payments out of the Collateral, and proceeds therefrom; and no holder of any Note shall have recourse against any other assets of Lessor in the event that the Rentals and proceeds shall not be sufficient fully to discharge the liability of Lessor under the Note and all other obligations of Lessor thereunder and hereunder, except for any loss caused by the willful misconduct or gross negligence of Lessor.

In furtherance of the foregoing paragraph, Lender and the holders of any Note from time to time and each other Person claiming by, through or under the Lender or the holder of any Note from time to time agree, to the fullest extent permitted by law, not to exercise, and hereby waive, any statutory right to negate the agreement set forth in this Section B.5. In furtherance of the foregoing paragraph, should Lessor become subject to the reorganization provisions of the the Bankruptcy Code, 11 U.S.C. §101 et seq., or any successor provisions, the Lender, the holder of any Note from time to time or any other Person claiming by, through or under the Lender or the holder of any Note from time to time shall, upon the request of the Lessor, make the election referred to in Section 1111(b) (1)(A)(i) of such Code or successor provision. Notwithstanding such election, if any

Person be held to have recourse liability to Lessor or the trustee of Lessor directly or indirectly on account of any amount payable as principal or interest on any Note, and Lender, the holder of any Note from time to time or any other Person claiming by, through or under Lender or the holder of any Note from time to time actually receives an Excess Amount (as hereinafter defined), then any such Person receiving an Excess Amount shall promptly refund to Lessor all of such Excess Amount. For purposes of this Section, "Excess Amount" means the amount by which payments received by any party exceed the amount which would have been received by such party if Lessor had not become subject to the recourse liability referred to above.

Nothing contained herein limiting the liability of Lessor shall derogate from the right of Lender to proceed against the Collateral or Lessee as provided herein or in the Lease for the full and complete payment of the Indebtedness.

B.6. Application of Rents and Other Proceeds.

(a) Lessee agrees to make all payments of Rentals and Supplemental Rent under the Lease directly to the Lender by wire transfer to Morgan Guaranty Trust Company, 23 Wall Street, New York, New York, for the account of U.S. Steel Credit Corporation, Account No. 063-94-4361, or to such other account as may be specified by Lender, and Lessee shall provide notice of such payment to Lessor; provided, however, that provided no Default, or no event which, but for the lapse of time or the giving of notice or both, would be a Default, shall have occurred and be continuing, Lessee shall, upon notice and direction of Lender and Lessor, which Lessor and Lender shall reasonably cooperate in providing, pay any portion of Rental or Supplemental Rent specified in item third of Subparagraph B.6(b), item second of Subparagraph B.6(c), or item fifth of Subparagraph B.7(a) directly to Lessor by wire transfer to an account specified by Lessor in such notice and direction.

(b) Provided no Default shall have occurred and be continuing, if Lender shall have received any payments of Rental made to it by Lessee pursuant to the Lease, Lender will apply such payments promptly to the payment first, ratably of installments of interest due on the Notes currently or past due and due on the date such Rental is due and payable under the Lease, second, ratably of installments of principal on the Notes currently or past due and due on the date such Rental is due and payable under the Lease (whether by acceleration, mandatory prepayment pursuant to this Agreement or otherwise); and third, promptly of any excess to Lessor. Provided no Default shall have occurred and be continuing, any payment of Supplemental Rent, other than

payments of Supplemental Rent covered by Subsection B.6(c) or B.7(a) hereof or Excepted Rights in Collateral, shall be applied for the purpose specified therefor herein, in the Lease, or in the Indemnity Agreement.

(c) If Lender shall have received payments made to it by Lessee pursuant to Lessee's indemnities in favor of Lender contained in Sections 4, 14 or 28 of the Lease, Lender will apply such payments promptly to the payment first, to Lender for such losses as Lender has incurred and for which such payment has been made pursuant to such indemnities of Lessee, and second, of any excess to Lessor.

(d) If a Default has occurred and is continuing, Lender shall apply all amounts received pursuant to the Lease (except to the extent that any such amounts constitute Excepted Rights in Collateral) in the manner provided in Section B.7(a). Any amounts received pursuant to the Lease (except to the extent that any such amounts constitute Excepted Rights in Collateral) while there exists an event which but for the lapse of time or giving of notice or both would constitute a Default, shall be held by Lender as part of the Collateral to be applied in accordance with this Subsection B.6(d) or B.7(a) if the Default does occur, or promptly applied as otherwise provided herein if such Default fails to occur, provided that Lender shall give any notice required to be given by it under Section D.1 hereof promptly after it has knowledge of the event.

B.7. Mandatory Prepayments.

(a) In the event of an Event of Loss, Lender will accept payments made pursuant to Section 13(c) of the Lease and will apply such payments to the payment first, ratably of accrued interest on each of the Notes, second, ratably of the unpaid principal amount of each of the Notes, third, to Lender of expenses reasonably incurred and not reimbursed by Lessee in connection with the collection or distribution of such payment, fourth, to Lender in discharge of any other Indebtedness of Lessor under this Agreement, and fifth, of any excess to Lessor.

(b) No prepayment of any Note may be made except and to the extent and in the manner expressly permitted or required by this Agreement.

B.8. Exchange of Notes.

(a) Without limiting the representations and warranties contained in Section B.4(a) hereof, Lessor will at any time at the request of the holder of any Note, as soon as practicable after the surrender of such Note to Lessor, execute and deliver new Notes in exchange therefor, payable to the order of the holder or such person or persons

as may be designated by such holder, dated the same date as the surrendered Note, in denominations of not less than \$100,000 (except for any required balance piece), in an aggregate principal amount equal to the original principal amount of such Note and substantially in the form of such Note with appropriate variations. The holder of such surrendered Note shall make a notation on each new Note of the amount of all payments of principal previously made on the surrendered Note with respect to which such new Note is issued and the date to which interest on such surrendered Note has been paid.

(b) If any Note shall become mutilated, destroyed, lost or stolen, Lessor shall, upon the written request of the holder of such Note, execute and deliver to such holder, in replacement thereof, a new Note of the same type in the same face amount and dated the same date as the Note so mutilated, destroyed, lost or stolen. If the Note being replaced has been destroyed, lost or stolen, the holder of such Note shall furnish to Lessor such security or indemnity as may be required by it to save it harmless and evidence satisfactory to Lessor of the destruction, loss or theft of such Note and the ownership thereof; provided, however, that if the holder of such Note is Lender, the written undertaking of such holder delivered to Lessor shall be sufficient security and indemnity.

B.9. Expiration of Commitment of Lender. The obligation of the Lender to purchase Notes hereunder shall expire on August 31, 1984.

C. SECURITY

C.1. Grant of Security.

(a) In order to secure the prompt payment of the principal of and interest on all of the Notes (whether now or hereafter outstanding) and of all other moneys payable and to be payable under this Agreement (collectively the "Indebtedness") and the timely and faithful performance and observance by Lessor of all of the agreements, covenants and provisions contained in this Agreement and the Notes (insofar as such covenants and agreements are for the benefit of Lender and the holders of the Notes), Lessor has granted, conveyed, pledged, sold, mortgaged, assigned, transferred and set over a security interest, and does hereby grant, convey, pledge, sell, mortgage, assign, transfer and set over a security interest, unto Lender in (i) the Equipment whether now owned or hereafter acquired; (ii) Lessor's interest, if any, in such Equipment, all substitutions, accessions, accessories and replacement and added parts which may now or hereafter be placed on or installed in any

Item (the Equipment, accessions thereto, accessories and replacement and added parts described in items (i) and (ii) above being hereinafter sometimes collectively called "Security Equipment"); (iii) all rights, claims and causes of action, if any, which Lessor may have against any manufacturer or seller of Security Equipment or any other party, by contract or otherwise, in respect of any defect in the Security Equipment; (iv) the Lease and the Assignment together with all of Lessor's estate, right, title, interest, claim and demand in, to and under the Lease and the Assignment, including, but not limited to, right to receive notices and give consents under the Lease and the Assignment; and (v) all proceeds, property rights, privileges and benefits arising from any of the foregoing items, including, but not limited to, all accounts, contract rights, documents, instruments, chattel paper, general intangibles, Rentals, Supplemental Rent, damage and other moneys from time to time payable to or receivable by Lessor under the Lease or the Assignment including, but not limited to, payments under Section 13 of the Lease, insurance and condemnation proceeds and payments under Section 12 of the Lease (except liability insurance proceeds payable to Lessor or for its account) but excluding the Excepted Rights in Collateral (such Security Equipment, rights, claims, causes of action, Lease, Assignment, proceeds, property rights, privileges and benefits described in items (i) through (v) above but excluding the Excepted Rights in Collateral being hereinafter sometimes collectively called the "Collateral"), to have and to hold all and every part of the Collateral unto Lender and its successors and assigns for its and their own use and benefit forever; provided, however, and these presents are on the condition that, if Lessor, or its successors or assigns, shall pay or cause to be paid to Lender all of the Indebtedness in accordance with its terms, as provided in this Agreement and in the Notes, and shall well and faithfully perform and observe all of the agreements, covenants, and provisions hereto and thereof at the time and in the manner specified, unless such specifications are waived by Lender, then all rights herein assigned to Lender shall cease and terminate, all estate, right, title and interest of Lender in and to the Collateral shall revert to Lessor and this Agreement and rights and powers granted herein and hereby shall cease to be binding and shall be of no further force and effect; and provided, further, that, subject to the terms and provisions hereof and unless otherwise stated herein, Lessor may retain possession, use and enjoyment of the Security Equipment, and to the extent not inconsistent with the other terms of this Agreement, all other Collateral as long as no Default shall have occurred and be continuing.

(b) There are expressly excepted and reserved from the security interest and operation of this Agreement

the following described properties, rights, interests and privileges (herein sometimes referred to as the "Excepted Rights in Collateral"), and nothing contained herein or in the Lease or the Assignment shall constitute an assignment of said Excepted Rights in Collateral to the Lender:

(1) any payment of any indemnity under Section 4, 14 or 28 of the Lease or under the Indemnity Agreement which by the terms of any of such sections or such Indemnity Agreement is payable to Lessor or for its account;

(2) all rights of Lessor under the Lease, the Assignment and the Indemnity Agreement to demand, collect, sue for or otherwise obtain all amounts from Lessee due, or to obtain performance for the benefit of, Lessor on account of any payments described in the foregoing paragraph (1);

(3) if an Event of Default based on a breach of any warranty to Lessor with respect to, any covenant of Lessee to pay or perform the terms of, any such obligation described in the foregoing paragraph (1) shall occur and be continuing, the right of Lessor to declare that such an Event of Default exists under the Lease and the right of Lessor to exercise the remedies, but only those remedies, provided for in Section 16(b)(1) of the Lease to enforce performance by Lessee of any covenants of Lessee to pay, or perform the terms of, any such indemnity directly to Lessor or to recovery damages for the breach thereof, provided, however, that nothing herein shall limit the right of Lender to declare a Default or an Event of Default or to exercise any of its remedies hereunder or under the Lease, other than as specified above;

(4) any and all right to claim or take any investment tax credit or ACRS deductions with respect to the Equipment, provided, however, that nothing herein shall limit the right of Lender to take or claim any tax benefits associated with the ownership of the Equipment after Lender has become the owner of any of the Equipment after a Default;

(5) any insurance proceeds payable under insurance separately maintained by Lessor for its own account;

(6) so long as no Default or Event of Default has occurred an is continuing, any payment in reimbursement for a payment made by Lessor pursuant to Section 5 of the Lease;

(7) the right, but not to the exclusion of the Lender and, in the cases of clauses (E) and (F) below, to be exercised jointly with Lender; (A) to receive from Lessee all notices, certificates, opinions of counsel and other documents and all information which Lessee is permitted or

required to give or furnish to Lessor pursuant to the Lease or this Agreement, (B) to inspect the Equipment and all records relating thereto, (C) to provide such insurance as is required by the Lease and which Lessee shall have failed to maintain and to retain all rights with respect to insurance that Section 12 of the Lease confers upon Lessor, (D) to determine compliance by Lessee with the provisions of Sections 8 and 19 of the Lease, (E) to approve subleases under Section 6 of the Lease, and (F) to waive any Event of Default by Lessee pursuant to the Lease; and

(8) so long as no Default or Event of Default has occurred and is continuing, the right to the exclusion of the Lender, (A) to accept delivery of the Equipment as provided in the Lease, but subject to Section B.1 hereof, and (B) to adjust Rentals and the percentages relating to Stipulated Loss Value as provided in Section 3 of the Lease and in the Indemnity Agreement.

C.2. Lender as Agent. Lessor hereby constitutes Lender, and its successors and assigns, the true and lawful attorney of Lessor, irrevocably and with full power of substitution, in the name of Lessor or otherwise, to demand, receive, compromise, sue for, and give acquittance for, any and all rentals, profits, moneys and claims for money due and to become due under the Lease or otherwise arising out of this Article C and which do not constitute Excepted Rights in Collateral, to endorse any checks or other instruments or orders in connection therewith, to make all waivers and agreements and to file any claims or take any actions or institute any proceedings with respect thereto and do all things which Lender may deem necessary or advisable in its sole and complete discretion to carry out this Agreement. Anything herein contained to the contrary notwithstanding, neither Lender nor its nominee or assignee shall have any obligation or liability by reason of or arising out of this Article C to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amounts to which it may be entitled at any time or times by virtue of this Article C.

C.3. Perfecting Security. Lessor shall, from time to time and at its own expense, promptly execute, acknowledge, witness, deliver and file and/or record, or procure the execution, acknowledgement, witnessing, delivery and filing and/or recordation of, such documents or instruments, and shall take or cause to be taken such other actions, as Lender may reasonably request for the perfection against Lessor and all third parties whomsoever (subject to the rights created by the Lease relating to the Security

Equipment) of the security interest created by this Article C, of the rights and powers herein granted to Lender and for the continuation and protection thereof and promptly give to Lender evidence satisfactory to Lender of such delivery and filing and/or recording. Without limiting the generality of the foregoing, Lessor shall from time to time and at any time execute, acknowledge, witness and deliver such financing and continuation statements, notices and additional security agreements, make such notations on its records, affix or cause to be affixed such labels, plates or other markings on the Security Equipment and take such other action as Lender may reasonably request for the purpose of perfecting, maintaining and protecting such security interest of Lender, and shall cause this Agreement and each such financing and continuation statement, notice and additional security agreement to be filed or recorded in such manner and in such places as Lender may reasonably request for such purpose. Lessor hereby authorizes Lender to effect any filing or recording which Lender has requested pursuant to this Section C.3 hereof without the signature of Lessor to the extent permitted by applicable law. The costs and expenses of Lender with respect to such actions shall be payable by Lessor on demand.

C.4. Title to Collateral. Lessor hereby represents and warrants that (a) Lessor shall hold title to the Security Equipment free and clear of all liens, charges and encumbrances arising as a result of claims against Lessor unrelated to the transactions contemplated hereby and by the Lease (excepting Permitted Liens), and (b) Lessor has not and will not without Lender's prior written consent, which consent shall not be unreasonably withheld, execute any other assignment of the Lease; provided, however, that Lessor shall have the right to transfer its interest in the Equipment, the Lease, the Assignment, the Indemnity Agreement and this Agreement to either of Lessor's two shareholders, or to an entity wholly-owned by either or both of such shareholders.

C.5. Performance by Lessor. Lessor represents and warrants that (a) notwithstanding the assignment hereunder, Lessor will timely, fully and faithfully perform all of the covenants and conditions in the Lease set forth to be complied with by it and (b) to the knowledge of Lessor, it has performed all obligations on its part to be performed under the Lease on or prior to the date hereof, and there has not occurred on or prior to the date hereof any Event of Default under the Lease or any event which, but for the lapse of time or the giving of notice or both, would be such an Event of Default.

C.6. Performance by Lender. The assignment of the Lease hereunder is made only as security, and, therefore, shall not subject Lender to, or transfer, or pass, or in any way affect or modify the liability of Lessor under the Lease, it being understood and agreed that notwithstanding such assignment, or any subsequent assignment, all obligations of Lessor to Lessee under the Lease shall be and remain enforceable by Lessee, its successors and assigns, against, and only against, Lessor. Nevertheless, Lender may, at any time and from time to time at its option, upon prior telephonic notice to Lessor, perform any act which is undertaken by Lessor to be performed by Lessor under the Lease or hereunder, but which Lessor shall fail to perform, and may take any other action which Lender may deem necessary for the maintenance, preservation, or protection of its security interest in the Collateral. All moneys advanced and all expenses reasonably incurred (including legal fees) incurred by Lender in connection with such action together with interest at the rate per annum of the Prime Rate plus 2%, or the maximum lesser rate permitted under applicable law, shall be repaid by Lessor to Lender upon demand, and shall be secured hereby as provided herein. The making of such advance by Lender shall not, however, relieve Lessor of liability for any Default hereunder.

C.7. Protection of Security. Subject to the provisions of Section B.5 hereof, Lessor shall warrant and defend the title to the Collateral against all claims and demands of persons claiming by through or under Lessor, excepting only Permitted Liens. Lessor also agrees that it will, at its own cost and expense, without regard to the provisions of Section B.5 hereof, promptly take such action as may be necessary from time to time to discharge any lien, charge or encumbrance against the Collateral arising as a result of claims against Lessor unrelated to the transactions contemplated hereby and by the Lease.

C.8. Disclaimer by Lender. Lender makes no representations or warranties with respect to the Collateral or any part thereof, Lender shall not be chargeable with any obligations or liabilities of Lessor with respect thereto and Lender shall have no liability or obligation arising out of any such claims, known or unknown, with respect to the Collateral.

C.9. Amendments to Agreements. Lessor hereby represents and warrants that it has not, and covenants that it shall not, as long as this Article C shall remain in effect, but subject to the Excepted Rights in Collateral, except with the prior written consent of Lender and upon the

terms and conditions, if any, specified in such consent, enter into any agreement amending, waiving, consenting to postponement of strict compliance by Lessee with, or supplementing the Lease, the Assignment, or any Purchase Order with respect to the Security Equipment.

C.10. Indemnity for Acts of Lessor. Subject to Section B.5 hereof, and without derogating from the Lessee's obligations under the net lease provisions of Section 1 of the Lease, Lessor covenants and agrees with Lender that in any suit, proceeding or action brought or taken by or against Lender under the Lease or the Assignment for any installment of, or interest on, any rental or other sum owing thereunder, or to enforce any provisions of such Lease or the Assignment, Lessor will save, indemnify and keep Lender harmless from and against all expenses reasonably incurred (including legal fees), loss or damage suffered by reason of any defense, setoff, counterclaim or recoupment whatsoever of Lessee or its successors, arising out of a breach by Lessor of any express obligation of Lessor under or related to the Lease. Any and all such obligations of Lessor shall be and remain enforceable against and only against Lessor and shall not be enforceable against Lender.

C.11. Notices with Respect to Lease. Lessor and Lender shall each cause copies of all notices received or sent by it in connection with the Lease to be promptly delivered to the other at the appropriate address set forth in Section E.4; provided, however, Lender and Lessor shall each perform its own contract administration functions including policing insurance requirements. Lessor and Lender will each promptly notify the other of the occurrence of an Event of Default under or termination or rescission of the Lease.

C.12. Lessor's Records. Lessor will maintain accurate books and records with respect to the Lease and shall provide such records to Lender upon reasonable request therefor.

D. DEFAULT

D.1. Defaults. Any one or more of the following events shall constitute a Default under this Agreement:

(a) Lessor fails to pay within ten (10) Business Days after written notice from Lender all or any portion of the Indebtedness due hereunder (whether of principal, interest, taxes, reimbursement or otherwise);

(b) Lessor fails or neglects to perform, keep or observe in any material respect any other term, provision, covenant, warranty or representation contained in this Agreement or any Note thirty (30) days after receipt of written notice from Lender;

(c) Lessor fails or neglects to perform, keep or observe any term, provision, covenant, warranty or representation contained in the Lease which it is obliged to keep, perform or observe under the terms thereof thirty (30) days after receipt of written notice from Lender;

(d) Any representation or warranty made by Lessor to Lender is or shall be false in any material respect and remains uncured thirty (30) days after notice from Lender thereof;

(e) An Event of Default has occurred under the Lease and has not been cured pursuant to Section D.3 hereof; or

(f) A petition for relief under Title 11 of the United States Code, as now constituted or as hereafter amended, is filed by or against Lessor, unless, in the case of a petition filed against the Lessor, such petition is dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), within 60 days after such petition is filed; or

(g) Any other proceeding is commenced by or against the Lessor for any relief which includes, or might result in, any modification of the obligations of the Lessor hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness following a business failure, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), unless, in the case of proceedings commenced against the Lessor, such proceedings are dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), within 60 days after such proceedings shall have been commenced.

D.2. Effect of a Default.

(a) Upon the occurrence of any Default and at any time thereafter so long as the same shall be continuing, but subject always to any mandatory requirements of applicable law then in effect and to the rights of the Lessee under the Lease, Lender may, at its option, do any one or more or all of the following acts, as Lender in its sole and complete discretion may then elect:

(i) by written notice to Lessor declare the entire principal amount of the Notes to be due and payable forthwith, whereupon the Notes shall become due and payable, both as to principal and interest, without presentment, demand or protest of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding, but subject, nevertheless, at all times to the nonrecourse provisions of the Notes;

(ii) cease advancing money or extending credit to or for the benefit of Lessor under this Agreement;

(iii) without notice to or demand upon Lessor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral in accordance with this Agreement;

(iv) exercise all rights and remedies of Lessor under the Lease, and Lessor shall have no further rights thereunder (except to receive copies of all notices given and received thereupon and except for Excepted Rights in Collateral) until the security interest granted under Article C hereof reverts to Lessor;

(v) institute legal proceedings to foreclose upon and against the security interest granted herein to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same only out of any of the Collateral;

(vi) demand, collect and retain Rentals or other obligations owing hereunder or under the Lease which are included in Collateral and give notice of assignment to the Lessee; endorse the name of Lessor upon any document or instrument relating to the Collateral in its name or otherwise, demand, sue for, collect and give acquittance for any and all monies due or to become due on the Collateral; compromise, prosecute or defend any action, claim or proceeding with respect thereto; do any and all things necessary and proper to carry out the purpose herein contemplated; and exercise any other right, power, privilege or remedies which may be available to a secured party under the Illinois Uniform Commercial Code or under any other applicable law or in equity;

(vii) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any of the Collateral;

(viii) institute legal proceedings for the appointment of a receiver or receivers pending foreclosure hereunder or the sale of any of the Collateral under the order of a court of competent jurisdiction or under other legal process;

(ix) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any part thereof may then be located, and take possession of all or any part thereof or render it unusable, and, without being responsible for loss or damage except for the gross negligence or willful misconduct of Lender or its agents or its attorneys, hold, store and keep idle, or operate, lease or otherwise use or permit the use of the same or any part thereof for such time and upon such terms as Lender may determine, in its sole and complete discretion and in light of its own best interests;

(x) proceed in the foreclosure of its security interest, and prepare for sale, advertise for sale and sell (in the matter provided for herein), lease, or otherwise dispose of all or any part of the Collateral, free from any and all claims of Lessor or of any other party claiming by, through or under Lessor at law, in equity or otherwise, in any manner permitted in law or provided for herein, at one or more public or private sales, in such place or places, at such time or times and upon such terms and in such manner as Lender may determine, in its sole and complete discretion and in light of its own best interests; provided, however, that Lender shall give Lessor notice of any such sale in accordance with Subsection D.2.(b) hereof; the power of sale hereunder shall not be exhausted by one or more sales, and Lender may from time to time adjourn any sale to be made hereunder; or Lender may retain the Collateral in full satisfaction of the Indebtedness; and

(xi) demand, collect, and retain all hire, earnings and all other sums due and to become due pursuant to subsections (vi), (ix) and/or (x) of this Section D.2.(a) from any party whomsoever, accounting only for net earnings arising after

charging against all receipts from the use of and/or sale of the Collateral all costs and expenses of, and damages or losses by reason of, such use and/or sale power.

(b) Lender shall give prior notice to Lessor of any of the foregoing acts, and Lessor hereby covenants and agrees that a notice sent to it in writing by certified mail, return receipt requested, at least seven (7) Business Days before the date of any such act (or such longer period as may be required by applicable law despite Lessor's agreement in this Subsection D.2(b)), at its address provided hereunder shall be deemed to be reasonable notice of such act and, specifically, reasonable notification of the time and place of any public sale hereunder and the time after which any private sale or other intended disposition is to be made hereunder.

(c) The proceeds from the sale or other disposition of the Collateral pursuant to any of the provisions of this Section D.2 shall be applied by Lender in the manner provided for in Subsection B.7.(a) hereof.

D.3. Right to Cure. Anything herein to the contrary notwithstanding, in the case of any Default occurring hereunder due to the occurrence of an Event of Default under the Lease with respect to the failure of Lessee to pay Rental, Lender shall not, without the prior written consent of Lessor, exercise any remedy or remedies provided herein or in the Lease in respect thereof during the ten (10) day period next following the Lessor's receipt of notice of the occurrence of such Event of Default. During such period, Lessor may make the installment of principal and/or interest due on the Indebtedness corresponding to such Rental payment, and, thereupon Lender agrees that no Default will be deemed to exist hereunder by reason of the failure of Lessee to make such Rental payment. Such grace period and right to cure shall not be allowed more than four (4) times during the initial Term of the Lease or more than twice in succession. Each separate Event of Default occurring subsequent to such an Event of Default which was theretofore cured by Lessor shall be subject to the notice requirement and the period during which Lender may not exercise its remedies as hereinabove provided.

No party exercising any such right to cure shall obtain any lien, charge or encumbrance of any kind upon the Collateral in respect of any sums paid in connection with the exercise of such right or the curing of such Event of Default, nor shall any claims of such party against Lessee for the repayment of such sums so advanced impair the prior right of Lender to the sums payable by Lessee under the Lease; provided, however, that if no Default hereunder shall

then have occurred and be continuing and if all payments of principal and interest on the Notes then due and owing shall have been made at the time of receipt by Lender from Lessee of an overdue installment of Rental in respect of which Lessor shall have made payment to Lender pursuant to this Section D.3 and/or any interest payable by Lessee in respect of the late payment thereof, such installment or other sum and interest thereon shall be released to or at the written direction of Lessor.

Lessor and Lender each hereby agree to give the other prompt notice of any default under the Lease of which it has knowledge.

D.4. Right to Purchase Notes. At any time after a Default, Lessor may purchase the Notes from each holder thereof by paying such holder in immediately available funds the aggregate unpaid principal amount of all Notes held by such holder together with accrued interest thereon to the date of payment plus any other sums then due and payable to such holder under the Notes or this Agreement.

D.5. Waiver by Lessor. To the fullest extent that it may lawfully so agree, Lessor shall not at any time insist upon, claim, or take any benefit or advantage of, any appraisement, valuation, stay, extension, moratorium, redemption or any similar law now or hereafter in force in order to prevent, delay or hinder the enforcement of this Agreement or the absolute sale of any part or all of the Collateral or the possession thereof by any purchaser at any sale pursuant to Section D.2 above; and Lessor, for itself and all who may claim through it, as far as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such laws and all right to have the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose under this Agreement may order the sale of the Collateral as an entirety.

D.6. Right to Purchase Collateral. At any sale pursuant to Section D.2 hereof, Lender or its agent may, to the extent permitted by applicable law, bid for and purchase the Collateral offered for sale, may use any claim for Indebtedness then due and payable to it, as a credit against the purchase price and, upon compliance in full with the terms of such sale, may hold, retain and dispose of such property without further accountability therefor to Lessor or any other party.

D.7. Cumulative Rights. Each right, power and remedy herein specifically granted to Lender or otherwise available to it shall be cumulative and shall be in addition to any other remedy in its favor existing at law, in equity

or otherwise; and each right, power and remedy, whether specifically granted herein or otherwise existing, may be exercised, at any time and from time to time, as often and in such order as may be deemed expedient by Lender in its sole and complete discretion; and the exercise or commencement of exercise of any right, power or remedy shall not be construed as a waiver of the right to exercise, at the same time or thereafter, the same or any other right, power or remedy. No delay or omission by Lender in exercising any such right or power, or in pursuing any such remedy, shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Lessor or an acquiescence therein. No waiver by Lender of any breach or default of or by Lessor under this Agreement shall be deemed to be a waiver of any other or similar, previous or subsequent breach or default.

E. MISCELLANEOUS

E.1. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lessor, Lender, Lessee and their respective successors and assigns.

E.2. Governing Law. This Agreement is being executed in the State of Illinois. The terms of this Agreement and all rights and obligations of the parties hereto shall be governed by the internal laws of the State of Illinois. Such terms, rights and obligations may not be changed orally, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought.

E.3. No Guarantee. The agreements contained herein do not constitute a guarantee by Lessee of a residual value in any Item of Equipment nor do they constitute a guarantee by Lessee of the payment of principal of or interest on any Note issued by Lessor to finance any portion of Lessor's cost of the Equipment.

E.4. Notices. Unless otherwise specified herein, all notices herein required shall be in writing (including telegraphic communication), be given not later than the date required hereunder and shall be deemed to have been duly given when signed by an appropriate officer or other representative and either delivered to an officer of Lessor, Lender or Lessee as the case may be, telegraphed, or mailed prepaid by certified mail, return receipt requested, and addressed to the following specified address for such party, or to such other address as such party may designate in writing pursuant hereto:

U. S.
(a) To the Lender, ~~UNITED STATES~~ Steel Credit Corporation, 600 Grant Street, Pittsburgh, Pennsylvania 15230, Attention: William F. Marino;

(b) To the Lessor, Sheridan II Leasing Corporation, One American Plaza, Evanston, Illinois 60201, Attention: President, with a copy to HFC Leasing Inc., 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention: Vice President, Law;

(c) To the Lessee, Chicago and North Western Transportation Company, One North Western Center, Chicago, Illinois 60606, Attention: Assistant Vice President-Finance.

E.5. Default Expenses. Lender shall be entitled to reimbursement of all expenses incurred by reason of a Default hereunder, including attorneys' fees, out of the proceeds of the Collateral.

E.6. Execution. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated as of March 1, 1984 for convenience the actual date of execution by the parties hereto is the date stated in the acknowledgments annexed hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective corporate names by duly authorized officers all as of the date first above written.


LENDER:

U. S.
~~UNITED STATES~~ STEEL CREDIT CORPORATION

By: 
Title: President


LESSOR:

SHERIDAN II LEASING CORPORATION

By: 
Title: President

LESSEE:

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By: 
Title: VP Finance

ACKNOWLEDGMENTS

State of Illinois)
) SS
County of Cook)

On this 21ST day of MARCH, 1984,
before me personally appeared T.A. TENGLEFF, to me personally
known, who, being by me duly sworn, said that he is the
VICE-PRESIDENT - FINANCE of Chicago and Northwestern Transporta-
tion Company, and that the foregoing instrument was signed
on behalf of said corporation by authority of its Board of
Directors, and he acknowledged that the execution of the
foregoing instrument was the free act and deed of said
corporation.

Pandra McNaughton
Notary Public

(Notary Seal)

My Commission expires:

My Commission Expires June 14, 1987

State of Illinois)
) SS
County of Cook)

On this 21ST day of MARCH, 1984,
before me personally appeared WENT A. BURGNER, to me
personally known, who, being by me duly sworn, said that he
is the PRESIDENT of Sheridan II Leasing
Corporation, and that the foregoing instrument was signed on
behalf of said corporation by authority of its Board of
Directors, and he acknowledged that the execution of the
foregoing instrument was the free act and deed of said
corporation.

Pandra McNaughton
Notary Public

(Notary Seal)

My Commission expires:

My Commission Expires June 14, 1987

State of Pennsylvania)
) SS
County of Allegheny)

On this 20th day of March, 1984,
before me personally appeared R. D. Crafe, to me personally
known, who, being by me duly sworn, said that he is the
President of ~~Monaca Steel~~ Monaca Steel Steel Credit Corporation,
and that the foregoing instrument was signed on behalf of
said corporation by authority of its Board of Directors, and
he acknowledged that the execution of the foregoing instru-
ment was the free act and deed of said corporation.

Lois A. Witt
Notary Public

(Notary Seal)

My Commission expires:

LOIS A. WITT, Notary Public
Pittsburgh, Allegheny County
~~Commonwealth of Pennsylvania~~
My Commission Expires October 18, 1986

EXHIBIT A

Amortization Schedule

AVERAGE LOAN LIFE

4.67

MAINTENANCE OF WAY EQUIP \$10MILLION

	TAKEDOWNS	REPAYMENTS	INTEREST	DEBT SERVICE	OUTSTANDING	REPAYMENTS AS % OF LOAN	DEBT SERVICE AS % OF LOAN	OUTSTANDING AS % OF LOAN
1MAY64	745,006.00				745,006.00			100.00000000
1JUL64			17,073.05	17,073.05			2.29166667	
1OCT64		14,859.42	25,609.58	40,469.00	730,146.58	1.99453679	5.43203679	98.00546321
1JAN65		15,370.21	25,098.79	40,469.00	714,776.37	2.06309899	5.43203679	95.94236422
1APR65		15,698.56	24,570.44	40,469.00	698,877.81	2.13401092	5.43203679	93.80034620
1JUL65		16,445.08	24,023.92	40,469.00	682,432.73	2.20737489	5.43203679	91.60097131
1OCT65		17,010.37	23,458.63	40,469.00	665,422.36	2.28325340	5.43203679	89.31771791
1JAN66		17,595.11	22,873.89	40,469.00	647,827.25	2.36174024	5.43203679	86.95597768
1APR66		18,199.94	22,269.06	40,469.00	629,627.31	2.44292506	5.43203679	84.51305262
1JUL66		18,825.56	21,643.44	40,469.00	610,801.75	2.52690061	5.43203679	81.98615202
1OCT66		19,472.69	20,996.31	40,469.00	591,329.06	2.61376281	5.43203679	79.37238920
1JAN67		20,142.06	20,326.94	40,469.00	571,187.00	2.70361091	5.43203679	76.66877829
1APR67		20,834.45	19,634.55	40,469.00	550,352.55	2.79654754	5.43203679	73.87223076
1JUL67		21,550.63	18,918.37	40,469.00	528,801.92	2.89267686	5.43203679	70.97955190
1OCT67		22,291.43	18,177.57	40,469.00	506,510.49	2.99211469	5.43203679	67.98743721
1JAN68		23,057.70	17,411.30	40,469.00	483,452.78	3.09496863	5.43203679	64.89246857
1APR68		23,850.31	16,618.69	40,469.00	459,602.47	3.20135818	5.43203679	61.69111039
1JUL68		24,670.16	15,798.84	40,469.00	434,932.31	3.31140487	5.43203679	58.37970552
1OCT68		25,518.20	14,950.00	40,469.00	409,414.11	3.42523441	5.43203679	54.95447111
1JAN69		26,395.39	14,073.61	40,469.00	383,016.72	3.54297684	5.43203679	51.41149427
1APR69		27,302.73	13,166.27	40,469.00	355,715.99	3.66476667	5.43203679	47.74672759
1JUL69		28,241.26	12,227.74	40,469.00	327,474.72	3.79074303	5.43203679	43.95598456
1OCT69		29,212.06	11,256.94	40,469.00	298,262.67	3.92104962	5.43203679	40.03493474
1JAN70		30,216.22	10,252.78	40,469.00	268,046.45	4.05583591	5.43203679	35.97909684
1APR70		31,254.90	9,214.10	40,469.00	236,791.54	4.19525527	5.43203679	31.78384357
1JUL70		32,329.29	8,139.71	40,469.00	204,462.25	4.33946717	5.43203679	27.44437640
1OCT70		26,102.96	7,028.39	33,131.35	176,359.29	3.50372437	4.44712481	23.94065203
1JAN91		21,536.17	6,131.10	27,667.27	156,823.13	2.89073740	3.71369732	21.04991463
1APR91		29,388.53	5,390.79	34,779.33	127,434.59	3.94473778	4.66832860	17.10517685
1JUL91		13,919.65	4,300.56	18,300.21	113,514.94	1.86839428	2.45638473	15.23678257
1OCT91		36,566.92	3,902.00	40,469.00	76,948.02	4.90827239	5.43203679	10.32851018
1JAN92		37,823.91	2,645.09	40,469.00	39,124.11	5.07699425	5.43203679	5.25151593
1APR92		39,124.11	1,344.89	40,469.00	(-.00)	5.25151593	5.43203679	(-.00000000)
	745,006.00	745,006.00	470,600.21	1,223,614.21	(-.00)	100.00000000	164.24219543	(-.00000000)

SHERIDAN II LEASING CORPORATION

NON-RECOURSE SECURED NOTE

No.

\$

_____, 1984

FOR VALUE RECEIVED, the undersigned, SHERIDAN II LEASING CORPORATION, a Delaware corporation ("Sheridan II") promises to pay to the order of

UNITED STATES STEEL CREDIT CORPORATION

or registered assigns,
the principal sum of

DOLLARS (\$)

together with interest from the date hereof until maturity at the rate of 13-3/4% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One (1) installment of all accrued and unpaid interest only, payable on July 1, 1984; followed by

(ii) Twenty-four (24) installments of principal and interest, each in the amount of \$_____, payable on October 1, 1984 and on the 1st day of each January, April, July and October thereafter to and including July 1, 1990; followed by

(iii) One (1) installment of principal and interest in the amount of \$_____ payable on October 1, 1990; followed by

(iv) One (1) installment of principal and interest in the amount of \$_____ payable on January 1, 1991; followed by

(v) One (1) installment of principal and interest in the amount of \$_____ payable on April 1, 1991; followed by

(vi) One (1) installment of principal and interest in the amount of \$_____ payable on July 1, 1991; followed by

(vii) Two (2) installments of principal and interest in the amount of \$_____ payable on October 1, 1991 and January 1, 1992, respectively; followed by

(viii) A final installment on April 1, 1992 in an amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate per annum equal to 2% plus the rate of interest announced by The First National Bank of Chicago from time to time as its prime rate, after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

If the date on which any payment on this Note is to be made is not a business day, the payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Note, the term "business day" means days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Pittsburgh, Pennsylvania or Chicago, Illinois are authorized or obligated to close.

This Note is one of the Notes of Sheridan II not exceeding \$8,008,857.50 in aggregate principal amount (the "Notes") issued under and pursuant to the Finance and Security Agreement dated as of March 1, 1984 (the "Finance Agreement") among Sheridan II, United States Steel Credit Corporation (the "Secured Party") and Chicago and North Western Transportation Company (the "Lessee"). Reference is made to the Finance Agreement and all supplements and amendments thereto executed pursuant to the Finance Agreement for a description of the collateral, the nature and extent of the security rights and limitations thereon of the Secured Party, the holder or holders of the Notes and of the Trustee in respect thereof.

Pursuant to Section B.7 and D.2 of the Finance Agreement, certain prepayments are required to be made on this Note and any other Notes outstanding under the Finance Agreement. Sheridan II agrees to make the required prepayments on the Notes in accordance with the provisions of the Finance Agreement.

The terms and provisions of the Finance Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Finance Agreement.

This Note and the Finance Agreement are governed by and construed in accordance with the laws of the State of Illinois.

IN WITNESS WHEREOF, Sheridan II has caused this
Note to be duly executed.

SHERIDAN II LEASING CORPORATION

By _____
Authorized Officer

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED
PURSUANT TO THE SECURITIES ACT OF
1933 OR UNDER THE SECURITIES LAWS
OF ANY STATE. THIS NOTE MAY NOT BE
OFFERED OR SOLD UNLESS IT IS REGISTERED
UNDER THE APPLICABLE SECURITIES LAWS OR
UNLESS AN EXEMPTION FROM SUCH REGIS-
TRATION IS AVAILABLE.

SHERIDAN II LEASING CORPORATION

NON-RECOURSE SECURED NOTE

No.

\$ _____, 1984

FOR VALUE RECEIVED, the undersigned, SHERIDAN II LEASING CORPORATION, a Delaware corporation ("Sheridan II") promises to pay to the order of

UNITED STATES STEEL CREDIT CORPORATION

or registered assigns,
the principal sum of

DOLLARS (\$ _____)

together with interest from the date hereof until maturity at the rate of _____% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, in installments as follows:

(i) One (1) installment of all accrued and unpaid interest only, payable on October 1, 1984; followed by

(ii) Twenty-three (23) installments of principal and interest, each in the amount of \$_____, payable on January 1, 1985 and on the 1st day of each January, April, July and October thereafter to and including July 1, 1990 followed by

(iii) One (1) installment of principal and interest in the amount of \$_____ payable on October 1, 1990; followed by

(iv) One (1) installment of principal and interest in the amount of \$_____ payable on January 1, 1991; followed by

(v) One (1) installment of principal and interest in the amount of \$_____ payable on April 1, 1991; followed by

(vi) One (1) installment of principal and interest in the amount of \$_____ payable on July 1, 1991; followed by

(vii) Two (2) installments of principal and interest in the amount of \$_____ payable on

October 1, 1991 and January 1, 1992, respectively; followed by

(viii) A final installment on April 1, 1992 in an amount equal to the entire principal and interest remaining unpaid hereunder as of said date;

and to pay interest on overdue principal and (to the extent legally enforceable) on overdue interest at the rate per annum equal to 2% plus the rate of interest announced by The First National Bank of Chicago from time to time as its prime rate, after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable to the holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

If the date on which any payment on this Note is to be made is not a business day, the payment otherwise payable on such date shall be payable on the next succeeding business day. For purposes of this Note, the term "business day" means days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Pittsburgh, Pennsylvania or Chicago, Illinois are authorized or obligated to close.

This Note is one of the Notes of Sheridan II not exceeding \$8,008,857.50 in aggregate principal amount (the "Notes") issued under and pursuant to the Finance and Security Agreement dated as of March 1, 1984 (the "Finance Agreement") among Sheridan II, United States Steel Credit Corporation (the "Secured Party") and Chicago and North Western Transportation Company (the "Lessee"). Reference is made to the Finance Agreement and all supplements and amendments thereto executed pursuant to the Finance Agreement for a description of the collateral, the nature and extent of the security rights and limitations thereon of the Secured Party, the holder or holders of the Notes and of the Trustee in respect thereof.

Pursuant to Section B.7 and D.2 of the Finance Agreement, certain prepayments are required to be made on this Note and any other Notes outstanding under the Finance Agreement. Sheridan II agrees to make the required prepayments on the Notes in accordance with the provisions of the Finance Agreement.

The terms and provisions of the Finance Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Finance Agreement.

This Note and the Finance Agreement are governed by and construed in accordance with the laws of the State of Illinois.

IN WITNESS WHEREOF, Sheridan II has caused this
Note to be duly executed.

SHERIDAN II LEASING CORPORATION

By _____
Authorized Officer

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED
PURSUANT TO THE SECURITIES ACT OF
1933 OR UNDER THE SECURITIES LAWS
OF ANY STATE. THIS NOTE MAY NOT BE
OFFERED OR SOLD UNLESS IT IS REGISTERED
UNDER THE APPLICABLE SECURITIES LAWS OR
UNLESS AN EXEMPTION FROM SUCH REGIS-
TRATION IS AVAILABLE.

SHERIDAN II LEASING CORPORATION

March , 1984

United States Steel Credit Corporation
600 Grant Street
Pittsburgh, Pennsylvania 15230

Attention: William F. Marino

Finance and Security Agreement
dated as of March 1, 1984

Gentlemen:

I refer to the Finance and Security Agreement dated as of March 1, 1984 (the "Finance Agreement"), among Sheridan II Leasing Corporation ("Sheridan II"), United States Steel Credit Corporation and Chicago and North Western Transportation Company. I am furnishing this opinion letter to you pursuant to the terms of Subparagraph B.3.(j)(i) of the Finance Agreement. Terms defined in the Finance Agreement are used in this opinion letter as defined in the Finance Agreement.

I am familiar with Sheridan II's business and corporate proceedings. I have examined the Finance Agreement, the Notes, the Lease and the Assignment and such corporate documents as I have deemed necessary or appropriate for purposes of this opinion letter. The opinions I express below relate solely to the laws of Illinois, the Delaware General Corporation Law and the Federal laws of the United States.

Based upon and as limited by the foregoing, and having regard for such legal considerations as I deem necessary, it is my opinion that:

1. Sheridan II is a corporation duly organized, validly existing and in good standing under the laws of Delaware and authorized to do business in those jurisdictions where failure to be so authorized would have a material adverse effect on the conduct of its business;

2. Sheridan II has the full corporate power and authority to execute and deliver the Finance Agreement, the Lease, the Assignment and the Notes and to carry out the transactions contemplated thereby;

3. The Finance Agreement, the Lease and the Assignment have been duly authorized, executed and delivered by Sheridan II, will not contravene any applicable provision of Sheridan II's by-laws or certificate of incorporation or any other legal, organizational or contractual regulation or obligation binding upon the Lessor, and constitute legal,

valid and binding obligations of Sheridan II enforceable against it in accordance with their respective terms; subject, as to enforcement, to bankruptcy, insolvency, reorganization or other laws of general applicability relating to or affecting creditor's rights and to general equity principles;

4. The Notes have been duly authorized by Sheridan II and, when executed and delivered by Sheridan II, will constitute legal, valid and binding obligations of Sheridan II, enforceable against it in accordance with their terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization or other laws of general applicability relating to or affecting creditor's rights and to general equity principles;

5. No authorization, consent, or approval of any governmental authority is required for the execution, delivery or performance by Sheridan II of the Finance Agreement, the Lease, the Assignment or the Notes;

6. Neither the execution, delivery or performance by Sheridan II of the Finance Agreement, the Assignment, the Lease and the Notes, nor compliance with the terms and the provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the terms, conditions, or provisions of any law, governmental rule or regulation or the certificate of incorporation or by-laws of Sheridan II or any order, writ, injunction, or decree of any court or governmental authority against Sheridan II or by which it or any of its properties is bound, or of any indenture, mortgage or contract or other agreement or instrument to which Sheridan II is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any lien, charge, or encumbrance not permitted by the Lease upon any of its properties;

7. I know of no actions, suits or proceedings (whether or not purportedly on behalf of Sheridan II) pending or threatened against or affecting Sheridan II at law or in equity, before or by any person or entity, which, if adversely determined, would have a material adverse effect on the business, properties or condition (financial or otherwise) of Sheridan II. Sheridan II is not in violation or default with respect to any applicable law or regulation which materially affect the operations or condition (financial or otherwise) of Sheridan II nor is it in violation or default with respect to any order, writ, injunction, demand or decree of any court or any person or entity or in violation or default (nor is there any waiver in effect which if not in effect would result in a violation or default) in any material respect under any indenture, agreement or other instrument to which Sheridan II is a party or by which Sheridan II may be bound, default under which might have consequences which would materially and adversely affect the business, properties or condition (financial or otherwise) of Sheridan II; and

8. None of the funds of Sheridan II used to acquire any Item will be furnished directly or indirectly out of the assets of or in connection with any employee benefit plan (or its related trust) as defined in ERISA.

Very truly yours,

Charles J. Hansen
Special Counsel

CJH:dk

EQUIPMENT LEASE AGREEMENT

BETWEEN

SHERIDAN II LEASING CORPORATION

AND

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY

THIS EQUIPMENT LEASE AGREEMENT HAS BEEN ASSIGNED AS SECURITY FOR THE PERFORMANCE OF CERTAIN OBLIGATIONS AS PROVIDED IN SECTION 18 HEREOF. THIS EQUIPMENT LEASE AGREEMENT HAS BEEN EXECUTED IN 8 COUNTERPARTS OF WHICH THIS IS COUNTERPART _____. SEE SECTION 29 HEREOF FOR INFORMATION CONCERNING DISTRIBUTION OF THE VARIOUS COUNTERPARTS HEREOF.

Table of Contents

	<u>Page</u>
1. Net Lease.....	1
2. Term.....	3
3. Rentals and Rental Payment Dates.....	3
4. Taxes Against Lessor or Equipment.....	7
5. Lessee's Failure to Pay Taxes, Insurance, Etc.....	9
6. Use, Ownership and Sublease Rights.....	10
7. Additions and Improvements.....	11
8. Maintenance and Operation.....	12
9. Delivery, Acceptance and Payment of Lessor's Cost.....	13
10. Inspection; Lessee Reports.....	15
11. Warranties.....	15
12. Insurance.....	16
13. Stipulated Loss Value, Risk, Event of Loss, Condemnation.....	18
14. Indemnity.....	20
15. Purchase Option and Return of Equipment.....	22
16. Default, Remedies, Damages.....	23
17. Assignment by Lessee.....	29
18. Assignment by Lessor.....	29
19. Liens.....	30
20. Representations, Warranties and Covenants of the Lessee.....	31
21. Warranties of Lessor.....	32
22. Attorneys' Fees.....	32
23. Notices.....	33
24. Conditions Precedent.....	33
25. Miscellaneous.....	35
26. Recording, Registration and Filing.....	36
27. Further Assurances.....	
28. General Assignment of Purchase Orders.....	36
29. Counterparts.....	36
30. Definitions.....	36

Schedule A - Description of Equipment

Schedule B - Schedule of Stipulated Loss Values

Exhibit A - Certificate of Inspection and Acceptance

Exhibit B - Bill of Sale

Exhibit C - Opinion of Counsel to Seller

Exhibit D - Opinion of Counsel to Lessee

Exhibit E - General Assignment of Purchase Orders

Exhibit F - Certificate

Exhibit G - Useful Life and Residual Value Estimate

EQUIPMENT LEASE AGREEMENT

THIS EQUIPMENT LEASE AGREEMENT (the "Lease") is dated as of the 1st day of March, 1984, and is by and between Sheridan II Leasing Corporation, a Delaware corporation (the "Lessor") and Chicago and North Western Transportation Company, a Delaware corporation (the "Lessee").

WHEREAS, the Lessor and the Lessee, together with United States Steel Credit Corporation (the "Lender"), have entered into a Finance and Security Agreement dated as of the date hereof (the "Finance Agreement"), pursuant to which Lessor and Lender have agreed to advance funds for the purchase of certain equipment listed on Schedule A hereto pursuant and subject to the terms of the Finance Agreement (each such item of equipment being referred to individually as an "Item" or "Item of Equipment" and such Items being referred to collectively as the "Equipment"); and

WHEREAS, the Lessor and the Lessee have entered into an Indemnity Agreement, dated as of the date hereof (the "Indemnity Agreement"), pursuant to which the Lessee has agreed to indemnify the Lessor against the occurrence of certain Losses, as such term is defined in the Indemnity Agreement; and

WHEREAS, the Lessee desires to lease the Equipment at the rentals, for the terms and upon the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions:

1. Net Lease. The Lessor hereby agrees, subject to satisfaction of the conditions hereinafter set forth, to lease to the Lessee and Lessee hereby agrees to lease from the Lessor the Equipment. The aggregate of the Cost, as hereinafter defined, of the Items of Equipment shall not exceed Ten Million Seven Hundred Fifty Thousand Dollars (\$10,750,000), and the aggregate Cost of Schedule Y Equipment shall not exceed One Million Eight Hundred Thousand Dollars (\$1,800,000). This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligation to pay all Rentals and Supplemental Rent, as hereinafter defined, hereunder, and the rights of Lessor in and to such Rentals and Supplemental Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction,

set-off, defense, counterclaim or recoupment (herein referred to as the "Abatements") for any reason whatsoever, including without limitation, Abatements due to any present or future claims against the Lessor under this Lease or otherwise, or against the manufacturer, seller, or Vendor, as hereinafter defined, of any Item of Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of the following: any defect in or damage to, or any loss, loss of use or destruction of, the Equipment or any Item of Equipment thereof from whatsoever cause; the interference with the use thereof by any private person, corporation or governmental authority; the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor or the Lessee to enter into this Lease; the insolvency, reorganization or bankruptcy of the Lessee or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding it being the express intention of the Lessor and the Lessee that all Rentals and Supplemental Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as expressly provided herein, the Lessee nonetheless agrees to pay to the Lessor an amount equal to each payment of Rental and Supplemental Rent with respect to each Item of Equipment remaining in the Lessee's possession (other than an Item in storage pursuant to Section 15 hereof) at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been so terminated. The Lessee hereby waives, and hereby agrees to waive at any future time at the request of the Lessor, to the extent now or then permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it by statute or otherwise to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each payment of Rental and Supplemental Rent made by the Lessee to the Lessor shall be final as between the Lessor and the Lessee (except as to any amount, which the Lessee shall be entitled to recover, by which such Rental or Supplemental Rent exceeds the correct amount that should have been paid in accordance with any provision hereof for adjustment or other determination of the Rental or Supplemental Rent), and the Lessee will not (except as aforesaid) seek to recover all or any part of any such payment of the Rental or Supplemental Rent from the Lessor for any reason whatsoever.

2. Term. The term (the "Term") of this Lease for each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of each such Item of Equipment hereunder (each such date being hereinafter referred to as a "Interim Lease Commencement Date"). The base lease term (the "Base Lease Term") shall commence on July 1, 1984 (the "Base Lease Commencement Date") and shall terminate on June 30, 1992, subject to the provisions of Section 13. The word "Term" as used herein shall include up to two consecutive Renewal Terms as hereinafter defined. Provided no Event of Default or event which with the giving of notice or passage of time, or both, would become an Event of Default shall have occurred and be continuing, upon 180 days' written notice to Lessor prior to expiration of the Base Lease Term or the first Renewal Term, as the case may be, Lessee shall have the right to renew this Lease with respect to all, but not less than all of the Equipment for a two (2) year period (a "Renewal Term") at the Fair Market Rental (as hereinafter defined).

3. Rentals and Rental Payment Dates. The Lessee agrees to pay the Lessor for each Item of Schedule X Equipment leased hereunder: (a) on the Base Lease Commencement Date, interim rental equal to an amount per day equal to .028455% of the Cost of each Item of Equipment for the period from and including the Closing Date for such Item of Equipment to the Base Lease Commencement Date; and (b) thirty-two (32) rental payments during the Base Lease Term, each such payment to equal 4.0469 % of the cost of each Item of Equipment as referenced on the applicable invoice for such Item of Equipment (such cost, as so referenced, being hereinafter referred to as the "Cost").

If there are in fact any Items of Schedule Y Equipment, Lessor and Lessee shall enter into a supplement hereto (the "Schedule Y Supplement") promptly after final settlement for all the Equipment (i) setting forth the road numbers, serial numbers or other description of the Items which are designated as Schedule X Equipment and the Items which are designated as Schedule Y Equipment, and (ii) setting forth the actual rentals and Stipulated Loss Values for the Schedule Y Units determined as provided in this Section 3 and in Section 13 hereof. The Lessee agrees to pay the Lessor for each Item of Schedule Y Equipment leased hereunder (a) on October 1, 1984, interim rental equal to an amount per day equal to the "Schedule Y Interim Percentage" of the Cost of each Item of Schedule Y Equipment for the period from and including the Closing Date for such item of Equipment to October 1, 1984; and (b) thirty-one (31) rental payments commencing October 1, 1984, each such payment to be equal to the "Schedule Y Base Percentage" of the Cost of each Item of Schedule Y Equipment. The Schedule Y Interim

Percentage and the Schedule Y Base Percentage shall be those percentages, as set forth in the Schedule Y Supplement, which when multiplied by the Cost of each Item of Schedule Y Equipment as provided in the previous sentence, shall cause the interim rental payment on Schedule Y Equipment and the thirty-one (31) quarterly rental payments on the Schedule Y Equipment to each be in a sum equal to the amount as shall, in the reasonable opinion of the Lessor, cause such Lessor's net after-tax rate of return and the present value of the after-tax cash flows (discounted at a rate equal to the after-tax rate of return contemplated for this transaction) to equal the net after-tax rate of return and the present value of the after-tax cash flows (discounted at a rate equal to the after-tax rate of return contemplated for this transaction), based on the assumptions and methods of calculation utilized by Lessor in originally evaluating the transaction described in this Lease and related documents, that would have been realized by Lessor if (i) the Closing with respect to such Schedule Y Item had occurred on July 1, 1984, (ii) the interest rate on any Note used to pay a portion of the Cost of such Item were 13.75% per annum. Promptly after the last Closing Date for Schedule Y Equipment, Lessor shall provide Lessee and Lender with a schedule of such rentals for Schedule Y Equipment as determined by Lessor.

Rental payments shall be made quarterly in advance on July 1, October 1, January 1 and April 1 (individually a "Rental Payment Date" and collectively the "Rental Payment Dates"), with the interim rental payment due on July 1, 1984 for Schedule X Equipment and on October 1, 1984 for Schedule Y Equipment, and the Base Lease Term rentals commencing on July 1, 1984 for Schedule X Equipment and on October 1, 1984 for Schedule Y Equipment and ending April 1, 1992 for all Equipment (such rental and interim rental payments being referred to individually as the "Rental" and collectively as the "Rentals"). If any of the quarterly Rental Payment Dates is not a Business Day, the Rental otherwise payable on such date shall be payable in immediately available funds on the next succeeding Business Day. For purposes of this Lease, the term "Business Day" means days, excluding Saturdays, Sundays and holidays on which banks in New York, New York, Pittsburgh, Pennsylvania or Chicago, Illinois are authorized or obligated to remain closed. In the event the Lessee shall be in default in the payment of any sum of money to be paid under this Lease, whether Rental or otherwise, the Lessee shall pay the Lessor, as additional Rental, to the extent permitted by applicable law, interest on such unpaid sum from its due date to date of payment by the Lessee at a rate equal to Prime Rate plus 2% per annum (the "Overdue Rate"). Except as otherwise provided in the Finance Agreement, Rental and all other amounts payable to the Lessor hereunder shall be made by Federal Funds wire transfer for

the account of the Lessor to a bank within the United States of America to be designated by the Lessor, together with notice so as to provide the Lessor with the use of the funds on or before 11:00 a.m., Chicago time, on the due date.

The Lessee and the Lessor agree that, except as hereinafter provided, the Rentals payable hereunder and the Stipulated Loss Values set forth in Schedule B hereto or in the Schedule Y Supplement will be adjusted upward or downward in the event that: (i) any Closings with respect to Schedule X Equipment occur on dates and in such amounts which cause May 1, 1984 not to be the average of all Closing Dates for all Items of Schedule X Equipment (the average of all Closing Dates shall be a weighted average and shall be determined by (w) multiplying the Equipment Cost paid the Vendor(s) on each Closing Date by the actual number of days elapsed from and including March 20, 1984 to but excluding such Closing Date (the "Dollar Days"), (x) adding together the Dollar Days for all Closing Dates (the "Total Dollar Days"), (y) dividing the Total Dollar Days by the total Equipment Cost for which Closings were effected (the "Average Elapsed Days") and (z) adding the Average Elapsed Days to March 20, 1984 to determine the actual weighted average Closing Date); (ii) with respect to Schedule X Equipment the amortization of the Notes(s) varies from the schedule set forth in Exhibit A to the Finance Agreement or the scheduled rate of interest payable in respect of the Note(s) is other than 13.75% per annum; (iii) the Lender shall fund other than 74.501% of the Lessor's Cost of Equipment; or (iv) any modification in tax legislation, any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), or any change in the income tax regulations, published administrative or judicial interpretations or decisions relating to the Code or such regulations, which change, interpretation or decision is adopted, enacted or effective as to any Item of Equipment, (x) for all Items of Schedule X Equipment, prior to the delivery and acceptance of such Item(s) of Equipment, or (y) for all Items of Schedule Y Equipment, prior to the final Closing Date for all such Items of Equipment, and is applicable to ACRS deductions, Interest Deductions or Investment Tax Credits with respect to any of the Items of Equipment or the financing thereof by Lessor in accordance with, and, if relevant, to any election made by the Lessor in its sole discretion.

If, as a result of the occurrence of any of the foregoing events, Rentals payable hereunder and/or the Stipulated Loss Values set forth in Schedule B hereto or in the Schedule Y Supplement would require adjustment downward,

then Rentals and/or the Stipulated Loss Values during the Base Lease Term shall be adjusted downward on a ratable basis; provided, however, that such adjustment shall be made only to the extent that the Lessor's after-tax rate of return and the present value of the after-tax cash flow (discounted at a rate equal to the after-tax rate of return contemplated for this transaction) shall be maintained at a level (computed over the Base Lease Term) necessary to satisfy the requirements set forth in Revenue Procedure 75-21, 1975-1 C.B. 715, as amended, and shall be sufficient to pay the principal and interest on the Note(s) as and when due by acceleration or otherwise.

If the rental reductions that become effective pursuant to the preceding paragraph would not, over the remainder of the Base Lease Term, enable the Lessee to recover all the rental reductions to which it is otherwise entitled, then, subject to the next two succeeding sentences, the Lessee shall also be entitled to and the Lessor shall pay the Lessee a cash rebate out of Residual Proceeds (which shall mean the gross rentals and/or sale proceeds for the Equipment received by the Lessor after the expiration of the Base Lease Term, if no Default is then continuing under the Lease) equal to the aggregate amount of the rental reductions that could not be made during the Base Lease Term. Lessor shall pay such rebate only after the Lessor has first received Residual Proceeds that are equal to twenty-one percent (21%) of the original Cost of the Equipment to the Lessor. In all respects the Lessor's obligation to pay the cash rebate will be subject to (i) such payment not causing the Lease or such payment to violate any of the provisions of Rev. Proc. 75-21, 1975-1 C.B. 715, as amended, (ii) Lessor's receipt, at Lessor's cost, of an opinion from its tax counsel that payment will not adversely affect the tax benefits of this Lease for the Lessor, and (iii) subject to the preceding clauses (i) and (ii) the maintenance of Lessor's after-tax cash flow originally anticipated by Lessor in entering into this transaction.

Any rental adjustment will be effective as of the first Rental Payment Date following the event giving rise to such adjustment and will be made in such manner as will result, in the Lessor's reasonable judgment, in preserving for the Lessor both the anticipated after-tax rate of return and the present value of the after-tax cash flow (discounted at a rate equal to the after-tax rate of return contemplated for this transaction) that would have been realized by the Lessor had such event not occurred, (i) based on the rates of federal, state and local taxes in effect from time to time on, or measured by, net income, and (ii) in all other respects based on the assumptions and methods of calculation

utilized by the Lessor in originally evaluating the transaction described in this Lease and related documents. However, any change in Lessor's dollar net earnings shall not be considered in making any adjustment to Rentals.

The Lessor shall furnish the Lessee prior to the effective date of any rental adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such rental adjustment but shall not be required to divulge its after-tax rate of return with regard to any such computation or any tax return or estimate. Lessee shall have the right to review Lessor's rental adjustments for conformance to the terms hereof, and the Lessor shall discuss such adjustments with Lessee in good faith. Such review and approval shall occur within ten days of notification by Lessor of the rental adjustment.

Lessee shall also pay to Lessor or any other party entitled thereto pursuant to this Lease or pursuant to the Indemnity Agreement as supplemental rent any and all additional sums payable by the Lessee hereunder (other than quarterly Rental) or pursuant to the Indemnity Agreement ("Supplemental Rent") promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any such sums, Lessor or such other party entitled to such additional sums shall have all rights, powers and remedies provided for herein or pursuant to the Indemnity Agreement or by law or equity or otherwise in the case of nonpayment of Rental.

Lessor shall not be obligated to lease to Lessee any Item of Equipment not delivered to and accepted by Lessee by August 31, 1984 unless an extension of time is mutually agreed upon by Lessor and Lessee.

4. Taxes Against Lessor or Equipment. The Lessee agrees to pay upon request therefor and to indemnify and hold the Lessor harmless from, all license and registration fees and sales, use, personal property, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever together with any penalties, fines or interest thereon imposed against the Lessor, the Lessee or the Equipment or any part thereof by any federal, state or local government or taxing authority, together with any net increase to Lessor's federal, state or local income taxes as a result of the inclusion in Lessor's net income of any amount required to be paid by Lessee pursuant to this Section 4 during the term or in connection with the termination of this Lease, upon or with respect to the Equipment or any part thereof or upon the purchase, ownership, delivery, leasing, subleasing, possession, use, operation,

repair, storage for the period provided for herein, return or other disposition (except for any disposition by the Lessor other than a disposition occurring upon an Event of Default) thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, (i) any taxes imposed by the federal government on, based on, or measured by, the net income of the Lessor including but not limited to any value added taxes or franchise taxes except as otherwise provided in this Section 4 or any other tax applied in lieu of any income taxes, (ii) any income, value added or franchise taxes (which are applied in lieu of any income taxes or as additional income taxes) imposed by any taxing authority other than the federal government on, based on, or measured by, the net income of the Lessor which in the aggregate does not exceed the amount of any such taxes imposed by reason of this transaction which would be payable to the taxing authorities of the jurisdiction, other than the United States of America, in which the Lessor has its principal place of business assuming no allocation or apportionment to any other taxing authority, (iii) franchise taxes based on the corporate characteristics of the Lessor and (iv) any tax or similar charge included in the Cost of any Item of Equipment); unless, and only to the extent and for the period that, any such tax, levy, impost, duty, charge or withholding is being contested by the Lessee in good faith and by appropriate proceedings conducted so long as such proceedings do not involve any danger of loss, forfeiture or sale of any Item of Equipment or any part thereof (all such taxes, fees and charges as defined in this sentence being hereinafter referred to as the "Indemnified Taxes" or the "Taxes"). In case any report or return is required to be made with respect to any obligation of the Lessee under this Section or arising out of this Section, the Lessee, at its expense, will either prepare and file such report or return in such manner as will show the ownership of the Equipment in the Lessor and, upon reasonable request of the Lessor, send a copy of such report or return to the Lessor or will notify Lessor of such requirement and the Lessee will prepare such report or return for filing by the Lessor in such manner as shall be satisfactory to the Lessor and will provide Lessor with information it reasonably requests to permit it to comply with the reporting requirements of federal, state, local and foreign governmental agencies. If claim is made against the Lessor for any Indemnified Taxes, the Lessor shall promptly notify the Lessee in writing. If reasonably requested by the Lessee in writing, the Lessor shall, at the Lessee's expense, take such action as the Lessee may reasonably request with respect to such asserted liability, provided that the Lessee furnish an opinion of independent counsel, selected by the Lessee and satisfactory

to the Lessor, to the effect that there is a reasonable basis for contesting such asserted liability, and if reasonably so requested by the Lessee, any payment by the Lessor of such Indemnified Tax shall be made under protest, if protest is necessary and proper. If payment is made by Lessor, Lessee shall reimburse Lessor for such payment and the Lessor shall, at the Lessee's expense, take such action as the Lessee may reasonably request to recover such payment and shall, if requested, permit the Lessee in the Lessor's name to file a claim or prosecute an action to recover such payment. If no Event of Default hereunder shall have occurred and be continuing and the Lessor shall obtain a refund of all or any part of such taxes, fees or other charges previously reimbursed by the Lessee in connection with any such contest or any amount representing interest thereon applicable to the amount paid by the Lessee and for the period of such payment, the Lessor shall pay to the Lessee the amount of such refund and/or interest received by the Lessor net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing. All of the obligations of the Lessee under this Section with respect to any Indemnified Taxes imposed or accrued before the expiration or other termination of this Lease shall continue in full force and effect notwithstanding such expiration or other termination and are expressly made for the benefit of, and shall be enforceable by, the Lessor.

5. Lessee's Failure to Pay Taxes, Insurance, Etc.

Should the Lessee fail to make any payment or do any act as herein provided, then the Lessor shall have the right, but not the obligation, without releasing Lessee from any obligation hereunder, to make or do the same, and to pay, purchase, contest or compromise any Lien (as hereinafter defined) not permitted hereunder which in the Lessor's reasonable judgment appears to substantially affect the Equipment or the Lessor's rights with respect thereto, and in exercising any such rights, incur any liability and expend whatever amounts in its discretion it may deem necessary therefor, provided, however, that except with respect to insurance the Lessor shall take no such action nor expend any such amount without the prior notice to the Lessee at least twenty-five (25) days preceding such proposed action or expenditure or, if to prevent any Lien from attaching to any Item of Equipment due to any statutory limitation under any law or regulation it is necessary to take such action or make such expenditure within such twenty-five (25) day period, within such statutory limitation period, and shall consider all reasonable requests made by the Lessee prior to taking such action or making such expenditure. All sums so incurred or expended by the Lessor

shall be upon demand immediately due and payable by the Lessee and shall bear interest at the Overdue Rate from the date so incurred or expended by the Lessor to the date the Lessor is reimbursed therefor by the Lessee.

6. Use, Ownership and Sublease Rights. So long as an Event of Default hereunder shall not have occurred and be continuing, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease. The Lessee shall use, operate, maintain and store the Equipment in a careful and proper manner in accordance with standards set forth in Section 8 hereof, and shall comply with all laws, ordinances and regulations in any way relating to the possession, use, operation or maintenance of the Equipment. Without limiting the foregoing, Lessee shall not abandon any Item of Equipment, unless such Item of Equipment is the subject of an Event of Loss (as defined in Section 13). The Lessee agrees to pay all costs incurred in connection with the use and operation of each Item of the Equipment, during the Term thereof, including but not limited to, repairs, maintenance, storage and servicing, except to the extent that such costs are paid by the manufacturer or other entity selling the Equipment to Lessor (each such manufacturer or other entity being referred to collectively as the "Vendor").

The Lessee acknowledges and agrees that it does not have and will not acquire legal title to the Equipment, it being expressly understood that this Lease is an agreement of lease only. Lessee shall not attempt to sell or encumber any Item of Equipment except as permitted under Section 19 hereof. The Equipment is and shall at all times remain the sole and exclusive property of the Lessor. The only interest the Lessee shall have in the Equipment is that of a lessee hereunder. The Lessee shall affix to each Item of Equipment and keep and maintain, plainly and distinctly, permanently and conspicuously upon each such Item of Equipment the following words:

"Owned by Sheridan II Leasing Corporation,
Owner-Lessor, Subject to a Security Interest"

The Lessee shall keep the Equipment free from any markings or labeling which might be interpreted as a claim of ownership thereof by the Lessee or any party other than the Lessor or its assigns except that the Equipment may be lettered with the name or initials or other insignia customarily used by Lessee on similar equipment.

So long as there exists no Event of Default or event which with the giving of notice or lapse of time, or

both, would become an Event of Default, the Lessee shall be entitled to sublease the Equipment to reputable non-foreign corporations or entities, if such sublease shall provide that the Equipment will be operated and maintained in accordance with the terms hereof and the Lessee shall have first obtained the written consent, not to be unreasonably withheld, of the Lessor; provided, however, that the Lessee shall have the right to sublease the Equipment or any Item of Equipment without the consent of the Lessor to any reputable corporation or entity of sound financial and credit standing organized under the laws of the United States of America or any state thereof or the District of Columbia if such sublease (i) shall provide that the Equipment will be operated and maintained in accordance with the terms hereof, (ii) will not result in a Loss (as defined in the Indemnity Agreement), and (iii) is for a term not longer than the lesser of (A) six (6) months or (B) one day less than the remaining term of this Lease, provided, however, that Lessee may not so sublease any Item of Equipment to the same sublessee for more than six (6) months in the aggregate in any twelve (12) month period; and, provided, further, that the Lessee shall be entitled to sublease the Equipment to any corporation or entity acquiring or leasing all of the Lessee's lines of railroad. Lessee shall provide Lessor with notification of any such additional sublease and a copy of such sublease. The Lessee shall not assign or permit the assignment of the Equipment to service involving the regular operation and maintenance thereof outside the continental United States. All subleases shall contain provisions making them subject and subordinate to the terms and provisions of this Lease and the interest of the Lessee hereunder. Under any sublease, the Lessee's obligations shall remain those of a principal and not a surety.

Lessee shall not use nor permit the Equipment to be used, by sublease or otherwise, outside the geographic limits of the United States of America.

7. Additions and Improvements.

(a) Generally. Except as may be required pursuant to Section 7(b) or 8(b) hereof, Lessee shall not, without the prior written approval of Lessor, which approval shall not be unreasonably withheld, make any addition or improvement to any Item of Equipment which is not readily removable without causing material damage to an Item of Equipment. Lessee shall be entitled from time to time during the term of this Lease to acquire and install, at no expense to Lessor, such additions or improvements to the equipment as are readily removable without causing material damage to an Item of Equipment and which do not impair the

value or utility of an Item of Equipment as originally delivered hereunder to Lessee.

(b) Compliance with Law and Regulations. Lessee agrees to promptly make, at its own expense and without offset for Rental due hereunder, any addition or improvement required to be made to any Item of Equipment in order to satisfy applicable laws, governmental regulation and requirements of the Association of American Railroads (the "AAR"), if applicable.

(c) Severable Additions. Should Lessee install, at its own expense, any addition or improvement on any Item of Equipment which is readily removable without causing material damage to such Item of Equipment, except additions and improvements made pursuant to the requirements of Section 7(b) hereof, and provided that no Event of Default or event which but for the lapse of time or the giving of notice or both would be an Event of Default, shall have occurred and be continuing, Lessee may remove such addition or improvement before such Item of Equipment is returned to Lessor and Lessee shall thereafter own such addition or improvement. Lessee shall repair all damage to such Item of Equipment resulting from such installation and removal so as to restore such Item of Equipment to the condition in which it existed prior to the installation of such addition or improvement (ordinary wear and tear excepted but subject to the requirement that the Equipment be maintained as set forth in Section 8 hereof). Any addition or improvement not so removed shall become the property of Lessor.

(d) Nonseverable Additions. Should Lessee make to any Item of Equipment any addition or improvement which is not readily removable without causing material damage to such Item of Equipment or because such removal is prohibited by operation of Section 7(b) hereof, such addition or improvement shall immediately and without further act become the property of Lessor.

8. Maintenance and Operation.

(a) Generally. The Lessee, at its sole cost and expense, shall keep the Equipment in roadworthy condition and in good operating order and condition and shall furnish any and all parts, mechanisms or devices required to keep the Equipment in good mechanical and working order, ordinary wear and tear excepted, and shall maintain and repair the Equipment, as required by law, governmental regulation, the terms of all applicable insurance policies and manufacturers' warranties, and/or by the AAR. In performing maintenance and repair, the Lessee shall maintain the Equipment at a

level maintained by the Lessee for other similar equipment owned or leased by the Lessee. Any replacements made by Lessee to or upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in Lessor, without cost or expense to the Lessor, but the replaced parts shall no longer be the property of Lessor, provided the replacements have a value and utility at least equal to the replaced parts.

(b) Lessor's Rights and Obligations. Lessor shall not be required to maintain, service or repair, or make any repair, restoration, replacement, renewal, addition or improvement of any nature or description with respect to, any Item of Equipment, or, except to the extent provided in Section 9 hereof, to incur any cost or expense in connection with this Lease. In the event Lessee fails or is unable to perform maintenance and repairs as provided herein, Lessor shall have the right, but not the obligation, to perform the same, and Lessee shall forthwith reimburse Lessor for all costs and expenses incurred by Lessor in performing the same.

9. Delivery, Acceptance and Payment of Lessor's Cost.

(a) The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Equipment subject to Section B.1 of the Finance Agreement. Upon delivery of each Item of Equipment, the Lessee will cause an employee of the Lessee to inspect the same and, if such Item of Equipment is found to be acceptable, to accept delivery of such Item of Equipment and such date of acceptance shall be the "Acceptance Date" for such Item of Equipment and the Lessee shall execute and deliver to the Lessor on or before the Closing Date (defined below) for such Item of Equipment the Certificate of Inspection and Acceptance whereupon such Item of Equipment shall be deemed to have been delivered to and accepted hereunder on the Acceptance Date and shall be subject thereafter to all the terms and conditions of this Lease. Once Lessee has executed a Certificate of Inspection and Acceptance with regard to any Item of Equipment nothing (including the nondelivery of such Item of Equipment) shall relieve Lessee of any of its obligations hereunder, including, without limitation, the obligation to pay all Rentals and Supplemental Rent with respect to such Item of Equipment when due. Prior to execution of each Certificate of Inspection and Acceptance the Lessee shall have made at its expense all necessary inspections and tests of each Item of Equipment referred to therein, to determine whether such Item of Equipment conforms to the Lessee's specifications. Each Item of Equipment that appears on a Certificate of Inspection and Acceptance shall be deemed to conform to the Lessee's specifications, shall be deemed to be in good

condition and without defects and shall be deemed to be an Item of Equipment subject to the terms of this Lease. "Closing Date" is any date that the Lessor makes a payment to a Vendor to purchase any Item of Equipment pursuant to Section B.1 of the Finance Agreement.

On each Acceptance Date title to each Item of Equipment so accepted by the Lessee shall be deemed to have been transferred to and accepted by the Lessor (and such Item of Equipment shall be deemed accepted by the Lessee under this Lease) and shall be an Item of Equipment leased to the Lessee pursuant to this Lease and the Lessor shall thereupon be unconditionally obligated to pay to the Vendor, on the applicable Closing Date, and upon receipt of notice and other documents specified in Section 9(b) hereof, the Cost of each such Item of Equipment. In the event that the documents required to be delivered to the Lessor pursuant to Section 9(b) are not delivered with regard to any Item of Equipment, the Lessor shall have no obligation to purchase such Item of Equipment until such documents are delivered. If such documents cannot be delivered, the terms of the Assignment shall apply.

(b) From time to time, the Lessee shall deliver to the Lessor a written notice of a proposed Closing Date with respect to one or more Items of Equipment theretofore accepted by the Lessor hereunder for which no Closing Date has previously occurred (or, if a Closing Date has previously occurred, for which one or more additional items of Cost with respect thereto are due and payable). Such notice shall be given at least five (5) Business Days prior to the Closing Date specified therein, shall set forth the total Cost to be paid on such Closing Date, and shall be accompanied by (i) a full warranty bill of sale, substantially in the form of Exhibit "B" hereto, in favor of the Lessor with respect to each such Item of Equipment, dated the Acceptance Date thereof, (ii) an opinion of counsel to the Vendor substantially in the form of Exhibit "C" hereto, (iii) an invoice for each such Item of Equipment showing in reasonable detail all items of the Cost thereof, (iv) a Certificate of Inspection and Acceptance, substantially in the form of Exhibit "A" hereto dated the Acceptance Date, covering all such Items and specifying the Acceptance Date of each such Item of Equipment; (v) a certificate of an officer of Lessee to the effect that as of the Acceptance Date(s) the conditions precedent set forth in paragraphs 3, 4, 9 and 10 of Section 24 hereof have been met; and (vi) an opinion of Lessee's counsel to the effect that, as of the Acceptance Date(s), the opinions previously delivered pursuant to paragraphs 6 and 7 of Section 24 hereof are still valid.

There shall be no more than six Closing Dates under this Lease, the last of which shall be no later than August 31, 1984 unless otherwise mutually agreed upon by the Lessee and the Lessor, and there shall be no more than one Closing Date in any 21 day period.

10. Inspection; Lessee Reports. The Lessor shall at all times during normal business hours have upon prior written notice to the Lessee the right to reasonably enter the premises of the Lessee where the Equipment may be located for the purpose of inspecting and examining the condition, use, and operation of the Equipment and examining its applicable maintenance records and making copies thereof at the sole cost and expense of Lessee to ensure compliance by the Lessee with its obligations hereunder, provided, that the Lessor shall have no duty to inspect and shall not incur any liability or obligation by reason of not making any such inspection and provided further that the Lessor's authorized inspectors shall sign the Lessee's standard right of entry form and release prior to each entry.

The Lessee shall furnish the Lessor (i) within 90 days after the end of each of the first three fiscal quarters of each fiscal year, the unaudited quarterly, and within 90 days after the end of each fiscal year, the audited annual consolidated statement of income and expenses and consolidated balance sheet of the Lessee and its subsidiaries, such audited annual financial statements to be certified to by the Lessee's independent certified public accountants; and (ii) within 90 days after the close of each fiscal year of the Lessee after the date hereof, a certificate of an authorized officer of the Lessee setting forth a description of the Equipment that suffered a casualty during the preceding year, or stating that no Equipment has suffered a casualty during such year, and stating that he has reviewed the activities of the Lessee and that, to the best of his knowledge, there exists no Event of Default, as such term is defined in this Lease, and no event which with the giving of notice or the lapse of time, or both, would become an Event of Default. Further, the Lessee agrees to furnish the Lessor from time to time such other schedules, certificates and reports in such form and detail as the Lessor may reasonably request.

11. Warranties. THE LESSOR IS NOT A MANUFACTURER OF THE EQUIPMENT OR A DEALER IN SIMILAR EQUIPMENT AND HAS NOT INSPECTED THE EQUIPMENT PRIOR TO DELIVERY TO AND ACCEPTANCE BY THE LESSEE. THE LESSOR BY VIRTUE OF HAVING LEASED THE EQUIPMENT UNDER THIS LEASE OR BY VIRTUE OF ANY NEGOTIATIONS IN RESPECT OF THIS LEASE HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, CONDITION, COMPLIANCE WITH SPECIFICATIONS, QUALITY,

DURABILITY, SUITABILITY, MERCHANTABILITY OR FITNESS FOR USE OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. THE EQUIPMENT IS LEASED HEREUNDER BY THE LESSOR "AS-IS."

The Lessor hereby represents to the Lessee (i) that the Lessor has the full right and authority to enter into this Lease on the terms herein stated, and shall deliver to Lessee on or prior to the execution of this Lease a certificate of Lessor's Secretary or Assistant Secretary containing evidence of such full right and authority which is reasonably acceptable to Lessee; and (ii) that, conditioned upon the Lessee performing all of the terms, covenants and conditions hereof, the Lessor, its successors and assigns will not disturb the Lessee's peaceable and quiet possession and use of the Equipment during the Term of this Lease, provided that no Event of Default has occurred and is continuing.

So long as and only so long as no Event of Default or no event with which the giving of notice or lapse of time or both would constitute an Event of Default has occurred and is continuing, the Lessor hereby authorizes the Lessee during the Term of this Lease to assert for the Lessor's account all of its right, title and interest in, under and to any warranty in respect of the Equipment issued by the manufacturer thereof, and agrees to execute and deliver such further instruments as may be reasonably necessary to enable the Lessee to enforce such warranty. All claims or actions on any warranty shall be made or prosecuted by the Lessee, at its sole cost and expense, and the Lessor shall have no obligation whatsoever to make any claim on such warranty. Any recovery under such a warranty shall be applied first to restore the Equipment; second, to pay the reasonable out-of-pocket expenses the Lessee incurs in enforcing such warranty claim; and third, to pay any balance to the Lessor. The Lessor further authorizes Lessee to obtain whatever service to the Equipment the Vendor customarily renders, provided that no such service shall be at the cost or expense of the Lessor.

12. Insurance. Throughout the Term of this Lease, the Lessee at no expense to Lessor shall carry and maintain public liability and property damage insurance (with customary deductibles) as is customary in the railroad industry, but in the case of property damage insurance in an amount not less than the Stipulated Loss Value of the Equipment from time to time and in any case coverage shall be no less than that maintained by the Lessee on similar equipment owned or leased by the Lessee. The Lessor and any party lending to Lessor a portion of the purchase price of the Equipment and its successors and assigns (the "Lender") shall be named as additional insureds, as their interests

may appear, under the insurance policy, as evidenced by a certificate or verification of insurance provided by an independent insurance broker and delivered to the Lessor before the acceptance of the first Item of Equipment. Such certificate or verification shall provide that coverage shall (a) not be cancelled or materially adversely modified without thirty (30) days' prior written notice to the Lessor and the Lender, (b) provide that such insurance is primary without right of contribution from any other insurance which might otherwise be available to the insured party, (c) provide that in the event of any payment under a policy the insurer shall waive any rights of subrogation against the insured party and shall waive any setoff or counterclaim or any other deduction whether by attachment or otherwise, (d) include a cross-liability endorsement providing that inasmuch as the policies are written to cover more than one insured, all terms and conditions, insuring agreements and endorsements, with the exception of limits and liability, shall operate in the same manner as if there were a separate policy covering each insured and (e) provide that the Lessor shall have no obligation to pay insurance premiums. The Lessee's obligation to keep the Equipment insured as provided herein shall continue until the Equipment is returned to the Lessor pursuant to provisions hereof, and the 60-day storage period provided for at Lessee's cost in Section 15 hereof is terminated.

The Lessee shall furnish the Lessor with a certificate or verification of insurance prepared and signed by an insurance broker evidencing such insurance prior to the acceptance of the first Item of Equipment and annually thereafter on or before June 30 of each year beginning in 1985.

In the event that Lessee shall fail to provide insurance as herein provided, Lessor (or Lender) may at its option, but without obligation, provide such insurance and, in such event, Lessee shall, upon demand and from time to time, reimburse Lessor for the cost thereof, together with interest on such cost at the Overdue Rate computed from the date of payment of such cost to the date of reimbursement. Lessor shall give Lessee prompt written notice of any such insurance.

If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of an Item of Equipment suffering an Event of Loss, the Lessor shall, subject to the Lessee's having made payment of the Rental and Stipulated Loss Value in respect of such Item of Equipment and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an

amount equal to the Stipulated Loss Value with respect to an Item of Equipment paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the property insurance coverage in respect of an Item of Equipment not suffering an Event of Loss shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage of such Item of Equipment in respect of which such proceeds were paid has been fully repaired so as to comply with Section 8 of this Lease.

13. Stipulated Loss Value, Risk, Event of Loss, Condemnation. For purposes of this Lease the stipulated loss value (the "Stipulated Loss Value") for an Item of Schedule X Equipment as of any date of computation shall be the product of (x) the Cost for such Item of Equipment and (y) that Stipulated Loss Value percentage set forth in the Schedule of Stipulated Loss Values attached hereto as Schedule "B" and hereby made a part hereof opposite the applicable Rental Payment Date with respect to such Item of Equipment. The Stipulated Loss Value for an Item of Schedule Y Equipment as of any date of computation shall be the product of (x) the Cost for such Item of Equipment and (y) that Schedule Y Stipulated Loss Value percentage set forth in the Schedule of Schedule Y Stipulated Loss Values attached to the Schedule B Supplement opposite the applicable Rental Payment Date with respect to each such Item of Equipment. The Schedule Y Stipulated Loss Value percentage for each Schedule Y Item of Equipment shall be determined in like manner as the computation of the rental for such Unit as set forth in Section 3 hereof; provided, however, that no such computation shall provide for Stipulated Loss Values below those required for Lessor to meet its obligations under Section B.7 of the Finance Agreement.

(a) Risk: Commencing on the Interim Lease Commencement Date and continuing until the expiration of the Term of this Lease (which includes the storage periods as provided for in Section 15 and Paragraph 16(b)(6) hereof) and the return by the Lessee of the Equipment to the Lessor pursuant to the provisions hereof, Lessee assumes the entire risk of any Event of Loss (as defined below) and no such Event of Loss shall relieve the Lessee of any of its obligations hereunder.

(b) Definition - Event of Loss: For purposes of this Section an Event of Loss with respect to an Item of Equipment shall mean any of the following events: (i) the actual or constructive total loss of such Item of Equipment; or (ii) such Item of Equipment shall become lost, stolen,

destroyed, damaged beyond repair or permanently rendered unfit for its intended use for any reason whatsoever or such Item of Equipment remains unfit for its intended use for a period of nine (9) months; or (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of, such Item of Equipment (a "Condemnation") for the earlier of the end of the Lease Term or a stated period that extends beyond two (2) consecutive years from the date of such Condemnation or for an indefinite period that extends beyond one (1) year from the date of such Condemnation; (iv) the termination, for any reason whatsoever, of this Lease by operation of law; or (v) a determination by Lessee, in its reasonable judgment, that it is no longer economical for Lessee to continue to lease the Equipment or any Item thereof because of a change in economic circumstances, or that the Equipment or any Item thereof has become obsolete or that a change in applicable law has made it onerous to use the Equipment or any Item thereof (an "Economic Casualty"). Interest rates or similar finance charges payable by Lessee in connection with similar equipment under conditional sale contracts, leases, other arrangements for deferred payment of the purchase price thereof, or debt otherwise incurred in connection with the acquisition of such similar equipment shall be disregarded in determining whether an Economic Casualty has occurred with respect to any Item of Equipment. Economic Casualties will be paid by Lessee in accordance with Schedule "B."

(c) Deprivation Constituting an Event of Loss:

Upon the Lessee's determination that an Event of Loss has occurred, the Lessee shall promptly notify Lessor of such Event of Loss and shall pay or cause to be paid to the Lessor, on the next succeeding Rental Payment Date, in immediately available funds: (i) the Rental in respect of such Item of Equipment due on such Rental Payment Date, (ii) all Supplemental Rent due in respect of such Item of Equipment, and (iii) the Stipulated Loss Value for such Item of Equipment as of such Rental Payment Date. Upon the occurrence of an Event of Loss, at such time as the Lessor has received the sum of (i), (ii) and (iii) above, the obligation of the Lessee to pay Rental hereunder with respect to such Item of Equipment shall terminate. In situations other than an Economic Casualty, the Lessor will transfer to the Lessee, without recourse or warranty, "as is, where is," all of the Lessor's right, title and interest, if any, in and to the Item of Equipment with respect to which such Event of Loss occurred. In situations other than an Economic Casualty, Lessor shall provide Lessee with bills of sale and other documents reasonably requested by Lessee to reflect transfer of Lessor's right, title and interest in such Item of Equipment.

(d) Deprivation Not Constituting an Event of Loss: In the event of damage to any Item of Equipment not constituting an Event of Loss, the Lessee shall remain obligated to make all payments of Rental and other amounts due with respect to such Item of Equipment which may become due hereunder in the same manner as if such damage had not occurred. The Lessee shall repair and restore such Item of Equipment with new and unused components or with used components equivalent to those replaced prior to such damage to the condition it was in immediately prior to the occurrence which caused the need for such repair or restoration (assuming such Item of Equipment was maintained in accordance with the terms of this Lease). So long as no Event of Default shall have occurred and be continuing, all payments from insurance proceeds or otherwise with respect to any such damage shall be used to reimburse the Lessee for its out-of-pocket repair expenses with respect to the damaged Item of Equipment upon receipt by the Lessor of satisfactory evidence that the Lessee has repaired such Item of Equipment, and any balance remaining after the completion of such repairs shall be paid to the Lessee unless an Event of Default or other event which with notice, demand and/or lapse of time, would constitute an Event of Default, shall have occurred and be continuing, in which case, all such payments shall be paid over to and retained by the Lessor until such Event of Default, or other such event has been cured or waived.

(e) The Lessor hereby appoints the Lessee its agent and Lessee hereby agrees to act as agent to dispose of any Item of Equipment suffering an Event of Loss, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor prior to any such sale. In the event of an Economic Casualty, in no event shall Lessee or any affiliate of Lessee be the purchaser of any Item of Equipment at such sale. Provided that the Lessee has previously paid the Stipulated Loss Value to the Lessor, and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Stipulated Loss Value of such Item of Equipment plus the Lessee's reasonable out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. Subject to the preceding sentence, the Lessee will pay all costs and expenses in connection with the sale of any Item of Equipment pursuant to an Event of Loss.

14. Indemnity. The Lessee agrees to defend at its own cost and to indemnify and hold harmless the Lessor, its successors and assigns including the Lender (hereinafter

individually referred to as an "Indemnified Party" and collectively referred to as the "Indemnified Parties"), and their respective agents and employees, from and against any and all losses, claims, patent infringements, copyright or trademark liabilities, costs, expenses (including attorneys' fees), damages and liabilities, penalties and interest (including those for strict or absolute liability in tort or passive or active negligence), together with any net increase to any such Indemnified Party's federal, state or local income taxes as a result of the inclusion in Lessor's net income of any amount required to be paid to Lessor pursuant to this Section 14 of this Lease, however caused, resulting (i) directly or indirectly in any manner from the issuance of Lessee's subsidiary's purchase orders, assignment of Lessee's subsidiary's purchase orders (including, without limitation, the breach of any representation of such subsidiary contained in the Assignment), ownership, delivery, redelivery or purchase of any Item of Equipment, the Lessee's failure, delay or refusal to accept delivery, lease, possession, return or disposition of the Equipment, or (ii) directly or indirectly from or pertaining to the use, condition (including, but not limited to, latent or other defects whether or not discoverable) or operation or sublease of the Equipment or the performance or assignment of this Lease (including without limitation such losses, claims, costs, expenses, damages and liabilities arising from the death or injury to agents or employees of the Lessee or any Indemnified Party or any third person, or damage to the property of the Lessee or any Indemnified Party, their agents or employees, or any third person) or the alleged violation of the terms of any agreement or any law, ordinance, regulation or restriction affecting the Equipment, except for such damages, losses, expenses or liabilities arising out of the gross negligence or willful misconduct of the person or entity claiming the indemnity, its agents or employees.

This indemnification shall survive the expiration or other termination of this Lease and is for the benefit of and is enforceable by any Indemnified Party.

Notwithstanding anything contained in this Lease to the contrary, the Lessee expressly does not assume any liabilities or obligations, nor shall the Lessee be required to pay, satisfy or discharge any claims, liens, charges or encumbrances, nor shall Lessee have any obligation to indemnify and save harmless each Indemnified Party or any other person from and against any claim, lien, charge or encumbrance if such claim, lien, charge or encumbrance arose in whole or in part as a result of events occurring after redelivery to the Lessor or arose in consequence of any

failure of the Lessor or any successor to perform its expressly stated obligations under this Lease or any claim asserted by any person having an interest in or claim against the Lessor or the Equipment not arising out of the transaction contemplated by this Lease.

The indemnities and assumptions of liabilities set forth in this Lease do not guarantee a residual value in any Item of Equipment nor do they guarantee the payment of principal of or interest on any Note(s) issued by the Lessor to finance any portion of the Lessor's Cost of the Equipment.

15. Purchase Option and Return of Equipment.

Upon 180 days delivered written notice, prior to either: (i) the expiration of the Base Lease Term; or (ii) the expiration of a Renewal Term, the Lessee shall have the right to purchase not less than all of the Equipment at a price equal to the Fair Market Sales Value as of such expiration date; provided that there exists no Event of Default and no event which with the giving of notice or lapse of time, or both, would become an Event of Default.

Upon the expiration of this Lease or termination by operation of law of this Lease with respect to the Items of Equipment, the Lessee, at its own risk and expense, will return such Equipment then subject to this Lease to the Lessor together with any warranties, specifications, or operating manuals furnished by the Vendor of such Item of Equipment pursuant to the Lessor's instructions to a location on the Lessee's lines of railroad designated by the Lessor and reasonably acceptable to the Lessee within ten (10) days following receipt of the Lessor's instructions. Such Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, encumbrances and claims, provided, however, Lessee has no responsibility to clear any mortgages, liens, security interests, charges, encumbrances or claims created by, through or under the Lessor that are not related to the transactions contemplated by this Lease. Upon return of each Item of Equipment, if the Lessor shall so require, the Lessee will provide free storage and insurance for such Item for a period not exceeding sixty (60) days from the time that the Equipment is placed in storage. At the expiration of the sixty (60) day storage period the Lessor will pay to the party storing the Equipment a reasonable daily storage rate for each Item of Equipment being so stored beginning the first day after such sixty (60) day storage period and the Lessor shall use its best efforts to remove such stored Equipment from the Lessee's premises as soon as possible.

At the time of the return of such Equipment upon the expiration of this Lease or termination by operation of

law of this Lease, there shall be a joint inspection of each Item of Equipment by representatives of both the Lessor and the Lessee and if the parties cannot agree as to compliance with the conditions hereinafter described, an Independent Appraiser (as hereinafter defined in Section 16) shall inspect each Item of Equipment in dispute for the purpose of determining the repairs, additions or replacements, if any, which are necessary to place each such Item of Equipment in dispute in the condition hereinafter described. The cost of such independent appraisal shall be borne equally by the Lessor and the Lessee unless there exists an Event of Default or an event which with the giving of notice or lapse of time, or both, would become an Event of Default, in which case such cost shall be borne by the Lessee.

At the time of return, the Item(s) of Equipment shall be in the condition and state of repair required to be maintained under Section 8 hereof.

The Lessee shall be solely responsible for paying for all repairs, replacements and additions required as a consequence of such inspection; which repairs, replacements and additions shall be effectuated as quickly as possible.

Notwithstanding anything to the contrary contained herein, commencing on the expiration of the Lease Term and throughout the Lessor's sixty (60) day storage period the Lessee shall provide the Lessor, or any person designated by it, reasonable access to such Equipment and will allow the Lessor to display the Equipment to any authorized representative or representatives of prospective purchasers or lessees of such Equipment, so long as the Lessor, and such designated person, such representative, such purchaser or such lessee shall prior to such access satisfy the same inspection requirements required of Lessor in the first paragraph of Section 10 hereof. The delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of the Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

16. Default, Remedies, Damages.

(a) Defaults: The following events shall constitute Events of Default:

(1) The Lessee shall fail to make payment in full of any quarterly Rental and such default shall continue for 10 days;

(2) The Lessee shall fail to make any payment of Supplemental Rent to the Lessor when due under this Lease or the Indemnity Agreement and such failure to pay shall continue for a period of ten (10) or more days after Lessee's receipt of written notice from the Lessor; or

(3) The Lessee shall fail to perform or observe any other material covenant, condition or agreement to be performed or observed by it hereunder and such failure shall continue unremedied for a period of thirty (30) days after Lessee's receipt of written notice from the Lessor; or

(4) Any material representation or warranty made by the Lessee herein or in any document or certificate furnished the Lessor in connection herewith shall prove to be false in any material respect at the time it was made, such representation or warranty shall continue to be materially false at the time notice thereof is given from Lessor to Lessee and Lessee fails to remedy all material damages incurred by Lessor as a result of such misrepresentation within thirty (30) days after receipt of such written notice; or

(5) A petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), or all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. 1168, or any successor provisions, as the same may hereafter be amended; or

(6) Any other proceeding shall be commenced by or against the Lessee for any relief which

includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness following a business failure, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced.

(b) Remedies: Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Lessor, at its option, may declare this Lease in default and upon such declaration, the Lessor may do one or more of the following with respect to the Equipment or any Item of Equipment as Lessor in its sole discretion shall elect, to the extent permitted by this Lease and subject to compliance with any mandatory requirements of applicable law:

(1) Proceed by appropriate action either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease and to recover damages for the breach thereof;

(2) Take immediate possession of any or all Items of Equipment ("Repossess") with or without notice and sue for the rentals due hereunder as they accrue without notice and at the Lessee's costs and expense;

(3) Repossess with or without notice and sell, relet, use, hold or otherwise dispose of the Item of Equipment;

(4) Without Repossessing, declare all unpaid rentals immediately due and payable;

(5) Repossess and terminate the Lease; and

(6) Require the Lessee at its expense to assemble the Equipment and make it available to the Lessor within 10 days at a place, to be designated by the Lessor, which is reasonably convenient to both parties, and/or require the Lessee to store and insure the Equipment at its expense for a period of 120 days.

In repossessing any of the Equipment or any part thereof pursuant to the foregoing provisions, the Lessor may enter upon any premises where such Equipment may then be at any time, wherever the same may be, with or without process of law and without being responsible for loss or damage.

(c) Damages: The Lessor and the Lessee agree that the measure of damages is impossible to determine in the absence of prior agreement. Therefore, the parties agree that as damages for the loss of a bargain, and not as a penalty, in the case of an actual or proposed sale or re-letting after Repossession the Lessor shall be entitled to:

(i) Sale: Where a sale with respect to an Item of Equipment has occurred, the excess, if any, of the Stipulated Loss Value with respect to such Item of Equipment at the time of sale over the Net Proceeds of Sale with respect to such Item of Equipment. Where a sale is proposed by Lessor, but has not yet occurred, the excess of the then Stipulated Loss Value with respect to such Item of Equipment at the time of determination (such time to be specified by the Lessor) over the then Fair Market Sales Value with respect to such Item of Equipment,

(ii) Re-lease: Where a re-lease with respect to an Item of Equipment has occurred, the deficiency between the aggregate rentals due under the re-lease with respect to such Item of Equipment discounted at the Discount Rate, as hereinafter defined, and the greater of (a) the Stipulated Loss Value at the commencement of the re-lease, or (b) the remaining unpaid lease rentals with respect to such Item of Equipment due hereunder discounted at the Discount Rate. Where a re-lease with respect to such Item of Equipment is proposed

by Lessor, but has not yet occurred, the deficiency between the Aggregate Fair Market Rental Value, as hereinafter defined, with respect to such Item of Equipment discounted at the Discount Rate and the greater of (a) the Stipulated Loss Value with respect to such Item of Equipment at time of determination (such time to be specified by the Lessor), or (b) the aggregate remaining unpaid lease Rentals thereunder discounted at the Discount Rate,

(iii) If return of any Item of Equipment is demanded pursuant to (b)(6) of Section 16 and the Item of Equipment is not returned, the Lessor shall be entitled to the Stipulated Loss Value,

(iv) In addition to either (i), (ii) or (iii) above, the Lessor shall be entitled to: (a) the unpaid Rentals and Supplemental Rent from default until sale, re-lease or determination by Lessor of damages, (b) interest on all amounts due including Rental and damages from date due until payment at the Overdue Rate, and (c) Lessor's reasonable out of pocket costs and expenses incurred in connection with repossessing, refurbishing, transporting, storing, selling or re-leasing the Equipment or any portion thereof, and

(v) With respect to (c)(i) above it is understood that with regard to any Sale of any Item of Equipment by the Lessor, Lessor shall use its best efforts to acquire the best market cash price available and with respect to (c)(ii) above, it is understood that with regard to any re-lease of any Item of Equipment by the Lessor, the Lessor shall use its best efforts to obtain the best market rental available.

For purposes of this Lease the following definitions apply:

(1) Discounted: Reduction to present value as of the date of sale, re-lease or determination of damages, whichever is applicable, at the Discount Rate and at a frequency equal to the frequency of Rental payments under this Lease.

(2) Fair Market Sales Value and Fair Market Rental Value shall mean that sales value or rental which would be obtained in an arm's length transaction between informed and willing parties (other

than a lessee in possession) and shall exclude the value of additions to the Equipment made at Lessee's expense which are removable by Lessee. In the absence of agreement by Lessee and Lessor on the sales or rental value, such amount shall be determined by an Independent Appraiser. The term "Independent Appraiser" shall mean two independent appraisers, one chosen by the Lessor and one chosen by the Lessee in each case within 20 days of the notification of the need for such determination or if the appraisers cannot agree on the amount of such value or rental within thirty days following appointment, then the term "Independent Appraiser" shall mean an appraiser chosen by the American Arbitration Association, which appraiser shall be instructed to make its determination within a period of thirty days following appointment. The expenses and fees of such Independent Appraiser shall be borne equally by Lessor and Lessee; provided however that, if an Event of Default exists and is continuing, such expenses and fees shall be borne exclusively by Lessee.

(3) Net Proceeds of Sale: The consideration received by the Lessor upon sale of an Item of Equipment less all expenses associated directly or indirectly with the sale including but not limited to refurbishing, repair, advertising, freight or financing costs.

(4) Discount Rate: A rate equal to 10% per annum.

(5) Prime Rate: The rate of interest publically announced by The First National Bank of Chicago from time to time as its prime rate.

(d) Each and every power and remedy herein specifically given to the Lessor, shall be in addition to every other power and remedy specifically so given or now or hereafter existing at law or in equity, and each and every power or remedy may be exercised from time to time or simultaneously and so often and in such order as may be deemed expedient by the Lessor. All such powers and remedies shall be cumulative to the extent permitted by applicable law, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Lessor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence

therein. In the event that the Lessor shall bring any suit or action to enforce any of its rights hereunder, then in such suit or action the Lessor may recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

The Lessee hereby appoints the Lessor, the Lessee's irrevocable agent and attorney-in-fact to execute all documents deemed necessary to release, terminate and void the Lessee's interest in the Equipment and to file said documents for recordation with appropriate agencies provided that an Event of Default has occurred and the Lessor in its discretion deems use of this agency necessary to effect any remedy the Lessor chooses to take.

17. Assignment by Lessee. The Lessee shall not transfer, assign, pledge or hypothecate this Lease, the Equipment or any part thereof or any interest therein, without the prior written consent of the Lessor except that nothing in this Section shall be deemed to restrict the right of the Lessee to assign or transfer its interest in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed in writing satisfactory to the Lessor the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consolidated or to which Lessee shall have sold or leased substantially all of the assets of the Lessee, provided that such assignees, successors, transferees, purchasers or lessors will not, upon the effectiveness of such merger, consolidation, sale or lease be in default under any provision of this Lease and that such merger, consolidation, sale or lease shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a surety. The Lessee agrees to give the Lessor prior written notice of any such merger consolidation sale or lease. Consent to any of the foregoing acts shall not be deemed to be consent to any subsequent similar act.

18. Assignment by Lessor. The Lessor, or any assignee of the Lessor, may at any time, without notice to or consent by the Lessee, sell, assign, transfer, mortgage or otherwise encumber its interest under this Lease and the rights of the Lessee hereunder, and, upon receipt of written notice of any such assignment, the Lessee shall recognize such assignment subject to the rights of the Lessee. No assignment or reassignment shall release the Lessor from its obligations to the Lessee under this Lease. The Lessor agrees to deliver to the Lessee a copy of each agreement evidencing any such sale, assignment, transfer, mortgage or other encumbrance, or the portion thereof which effects compliance with the provisions of this Section 18, as soon

as practicable after the execution and delivery thereof. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's assigns, but only to the extent assigned.

Lessee hereby acknowledges that this Lease has been assigned to the Lender pursuant to the Finance Agreement and Lessee hereby consents to said assignment, subject to the rights of Lessee under the Lease. Lessee further agrees to pay and deliver to Lender, as provided in the Finance Agreement, all rents and other sums due hereunder, except such sums excluded from the Collateral under said Finance Agreement.

19. Liens. Except for Permitted Liens, as defined in the Finance Agreement, the Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance, security interest, right or claim of any kind ("Lien") on, or with respect to, any Item of Equipment, title thereto or any interest therein, except:

(i) The respective rights of the Lessor and the Lessee under the Lease;

(ii) Liens which result from claims against or acts of the Lessor not related to its interest in the Equipment;

(iii) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Item of Equipment or any interest therein;

(iv) Inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like liens arising in the ordinary course of business and securing obligations which are not delinquent, or which are being contested by the Lessee in good faith and by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of such Item of Equipment or any interest therein;

(v) Liens granted by Lessor to any assignee or security assignee of Lessor in connection with any financing obtained by Lessor in respect of its acquisition of the Equipment; and

(vi) liens attaching only to the leasehold interest of the Lessee under the Lease by reason of any future mortgage under which the Lessee is the mortgagor covering all or substantially all of the Lessee's railroad properties or by reason of the existence of any after-acquired property clause in any existing mortgage covering all or substantially all of the Lessee's railroad properties.

The Lessee will promptly notify the Lessor in writing of the existence of any lien not excepted above, if the same shall arise at any time, and will promptly, at the Lessee's expense, cause any such lien to be duly discharged, dismissed and removed or fully bonded as soon as possible, but in any event within thirty (30) days after the existence of the same shall have first become known to the Lessee, unless the Lessee shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger title and interest of the Lessor in the Equipment.

20. Representations, Warranties and Covenants of the Lessee. Lessee represents, warrants and covenants for the benefit of the Lender in respect of the Lease and the Finance Agreement and the Lessor in respect of the Lease, the Finance Agreement and the Indemnity Agreement (the "Operative Documents"): (i) that it is a duly organized corporation with necessary power and qualifications to perform the Operative Documents; (ii) that the Operative Documents have been duly authorized by all necessary corporate action on the part of the Lessee and will not contravene or breach any legal, organizational or contractual regulation binding upon the Lessee; (iii) that the Operative Documents constitute valid, binding and enforceable obligations of the Lessee and are enforceable in accordance with their terms; (iv) except as reflected in the annual report of the Lessee to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 1983, in other reports to the Securities and Exchange Commission and in Schedule 3.10 to the Finance Agreement between the Lessee and the United States represented by the Federal Railroad Administration dated as of December 19, 1983, there are as of the date hereof (A) no actions at law or in equity pending which, if determined adversely, would result in any material adverse change in the Lessee's ability to carry out its obligations under this Lease; and (B) no proceedings of any kind or nature pending before a federal or state board or other administrative authority or agency which would result in any material adverse change in the Lessee's ability to carry out its obligations under this Lease; (v) that as of the date hereof no material adverse

change in the Lessee's financial condition as represented in its most recent quarterly financial statements dated as of December 31, 1983 and submitted to the Lessor has occurred; (vi) prior to the delivery and acceptance of an Item of Equipment under this Lease, all recordings, registrations and filings required by law to protect Lessor's title and interests and to create and perfect in favor of the Lender a first priority perfected security interest in such Item of Equipment shall have been accomplished without expense to Lessor, and Lessor shall have been provided with evidence of such recording, registration and/or filing; and (vii) each Item of Equipment for which the security interest must be shown on the certificate of title will be titled in the State of Maine in the name of Lessor as Owner with the Lender indicated on the certificate of title for each Item of Equipment as the first lienholder.

21. Warranties of Lessor. The Lessor warrants that during the term of this Lease, if no Event of Default under this Lease has occurred and is continuing, the Lessee's use of the Equipment shall not be interrupted by any act of the Lessor. The Lessor further warrants and represents that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and not an electing small business corporation under Subchapter S of the Code, that this Lease has been duly authorized, executed and delivered by the Lessor and, assuming due authorization, execution and delivery hereof by the Lessee, constitutes the legal, valid and binding obligation of the Lessor, enforceable against the Lessor in accordance with its terms except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors or lessors generally, and that the Lessor is not entering into this Lease or any other transaction contemplated hereby directly or indirectly in connection with any arrangement or understanding by it in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest within the meaning of ERISA. Lessor further warrants that, notwithstanding anything to the contrary contained herein, but subject to the terms of Section 18 hereof, throughout the term of this Lease it shall be the sole owner of the Equipment except if an Event of Default shall have occurred hereunder.

22. Attorneys' Fees. Except as otherwise provided in Section 26, all fees and expenses, including legal fees incident to the preparation and execution of this Lease and the closings hereunder, shall be payable by the party incurring said fees or expenses.

23. Notices. Unless otherwise specified herein, all notices required under the terms and provisions hereof shall be in writing (including telegraphic communication), be given not later than the date required hereunder and shall be deemed to have been duly given when signed by an appropriate officer or other representative and either personally delivered to an officer of Lessor, Lender or Lessee, as the case may be, telegraphed, or mailed prepaid by certified mail, return receipt requested, and addressed to the following specified address, or such other address as any such party may designate in writing pursuant hereto: (i) if to the Lessor: Sheridan II Leasing Corporation, One American Plaza, Evanston, Illinois, 60201, Attention: President, with a copy to HFC Leasing Inc., 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention: Vice President, Law; (ii) if to Lessee: Chicago and North Western Transportation Company, One North Western Center, 165 North Canal, Chicago, Illinois 60606, Attention: Assistant Vice President-Finance; or (iii) if to the Lender, United States Steel Credit Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, 15230, Attention: William F. Marino.

24. Conditions Precedent. (a) The obligations of the Lessor to purchase and lease each Item of Equipment is subject to the fulfillment of the following conditions precedent with respect to each such Item of Equipment on the Acceptance Date for such Item unless otherwise noted herein:

(1) The receipt by the Lessor of satisfactory evidence that all necessary regulatory approvals and filings (including the filing of all necessary or reasonably advisable U.C.C. financing statements and other security documents) have been completed on or before each Interim Lease Commencement Date;

(2) The receipt by the Lessor of duly executed copies of this Lease, the Assignment, the Finance Agreement and the Indemnity Agreement on or before the first Interim Lease Commencement Date;

(3) The representations and warranties of the Lessee set forth in Section 20 shall be true and correct in all material respects on and as of the date of execution of this Lease and on and as of each Acceptance Date; and Lessor shall have received a certificate of an officer of Lessee to that effect on each Closing Date;

(4) No Event of Default or other event which with the giving of notice or the lapse of

time, or both, would become an Event of Default shall have occurred and be continuing on such Acceptance Date and Lessor shall have received a certificate of an officer of Lessee to that effect on each Closing Date (see Exhibit "F");

(5) The Lessor shall have received for each Item of Equipment a Certificate of Inspection and Acceptance of the Lessee (see Exhibit "A") dated as of the applicable Interim Lease Commencement Date for such Item of Equipment to the effect that the Lessee has satisfied or complied with all delivery and acceptance requirements set forth in this Lease to be satisfied or complied with on or prior to such Interim Lease Commencement Date and Lessor shall have received a certificate of an officer of Lessee to that effect on each Closing Date;

(6) The Lessor and the Lender shall have received an opinion, addressed to the Lessor and the Lender, of the Lessee's Counsel as of the first Interim Lease Commencement Date for the Item(s) of Equipment leased hereunder on such Interim Lease Commencement Date (subject to the usual bankruptcy laws exceptions), to the effect set forth in Items (i) through (iv) both inclusive of Section 20 and to the further effect, if any, set forth in Exhibit "D" hereof, and the Lessor and the Lender shall have received a reconfirmation thereof pursuant to Subsection 9(b) on each Closing Date;

(7) The Lessor and Lender shall have received an opinion addressed to the Lessor and Lender of the Lessee's counsel substantially to the effect set forth in subsections (vi) and (vii) of Section 20, and the Lessor and the Lender shall have received a reconfirmation thereof pursuant to Subsection 9(b) on each Closing Date;

(8) As of each Closing Date the Lessor shall have received for each Item of Equipment a Bill of Sale from the Vendor of each such Item of Equipment conveying good and valid title thereto to the Lessor, an opinion of counsel for the Vendor in support of such Bill of Sale substantially in the form of Exhibit "C" hereto and a manufacturer's statement of origin;

(9) The Lessor shall have received a certificate or verification of an independent

insurance broker dated on or before the first Interim Lease Commencement Date evidencing to the satisfaction of the Lessor compliance with the terms of Section 12;

(10) The Lessor shall have received on or before the first Interim Lease Commencement Date appropriate evidence satisfactory in form and content to Lessor of authorization by Lessee of its execution, delivery and performance of this Lease and all other agreements entered into by the Lessee in connection with the transaction contemplated hereby;

(11) The Lessor shall have received such other certificates and documents as it shall reasonably request; and

(12) The Lessor shall have received for the Equipment on or before the first Interim Lease Commencement Date a certificate of useful life and residual value signed by an authorized officer of the Lessee in the form of Exhibit "G" hereto.

25. Miscellaneous. (a) This Lease shall in all respects be governed by and construed in accordance with the laws of the State of Illinois including all matters of construction, validity, effect and performance.

(b) No delay or omission to exercise any right, power or remedy accruing to the Lessor upon any breach or default by the Lessee under this Lease shall impair any such right, power or remedy of the Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default thereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default; nor shall consent by the Lessor to any act of the Lessee be deemed to be consent to any subsequent similar act.

(c) Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(d) To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders

any provision of this Lease prohibited or unenforceable in any respect. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to the Lessee any right, title or interest in any Item of Equipment except as a lessee only.

26. Recording, Registration and Filing. The Lessee shall, at its expense, accomplish all recordings, registrations and filings of this Lease or any financing or continuation statements in respect thereto, required by law to protect the Lessor's title and interests in the Equipment, and shall furnish the Lessor with evidence satisfactory to the Lessor of each such recording, registration and/or filing.

27. Further Assurances. The Lessee shall, at its expense, do all such further acts and execute all such further documents and assurances as Lessor or Lender may reasonably request in order to protect the right, title and interest of Lessor hereunder and of Lender under the Finance Agreement.

28. General Assignment of Purchase Orders. The Lessor and a wholly-owned subsidiary of Lessee shall enter into a General Assignment of Purchase Orders dated as of the date hereof (herein called the "Assignment"), in substantially the form of Exhibit "E" hereto, pursuant to which the Lessee's subsidiary assigns to Lessor its rights under various Purchase Orders to acquire the Equipment.

29. Counterparts. This Lease will be simultaneously executed in 8 counterparts, each of which, when so executed and delivered, shall constitute an original, fully enforceable counterpart for all purposes except that only the counterpart stamped or marked counterpart Number "1," the receipt for which appearing on the signature page hereof has been executed by the Lender, shall constitute "chattel paper" or other "collateral" within the meaning of the Uniform Commercial Code in effect in any jurisdiction.

30. Definitions. The terms defined in Section A.1 of the Finance Agreement when capitalized and used herein, are used as defined in said Section A.1.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their duly authorized officers on the day and year first written above.

LESSOR:

LESSEE:

SHERIDAN II LEASING CORPORATION

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY

By: _____
Its: _____

By: _____
Its: _____

[Corporate Seal]

[Corporate Seal]

ATTEST:

ATTEST:

Secretary

Assistant Secretary

Receipt of Counterpart Number 1 is
hereby acknowledged by Lender
United States Steel Credit Corporation

By _____

ACKNOWLEDGMENTS

State of Illinois)
) SS
County of Cook)

On this _____ day of _____, 1984,
before me personally appeared _____, to me person-
ally known, who, being by me duly sworn, said that he is
the _____ of Chicago and Northwestern
Transportation Company, and that the foregoing instrument
was signed on behalf of said corporation by authority of its
Board of Directors, and he acknowledged that the execution
of the foregoing instrument was the free act and deed of
said corporation.

Notary Public

(Notary Seal)

My Commission expires:

State of Illinois)
) SS
County of Cook)

On this _____ day of _____, 1984,
before me personally appeared _____, to me
personally known, who, being by me duly sworn, said that he
is the _____ of Sheridan II Leasing
Corporation, and that the foregoing instrument was signed on
behalf of said corporation by authority of its Board of
Directors, and he acknowledged that the execution of the
foregoing instrument was the free act and deed of said
corporation.

Notary Public

(Notary Seal)

My Commission expires:

SCHEDULE "A"

Equipment
under
Equipment Lease Agreement
between
Sheridan II Leasing Corporation
and
Chicago and North Western Transportation Company
Dated as of March 1, 1984

Description	Quantity	CNW System Number*	Estimated Cost
Bridge Inspection Crane	1	17-3839	\$ 188,000
Speed Swings	5	17-3845 through 17-3849	507,000
Tie Spacer	1	17-3841	47,000
Ballast Compactor	2	17-3842 and 17-3843	146,000
Dual Ballast Cribber	1	17-3844	55,000
Bridge Cranes	2	17-3937 and 17-3938	145,000
Tie Handling Cranes	15	17-3898 through 17-3912	557,000
Dual Brooms	2	17-3880 and 17-3881	154,000
Production Tie Inserter	1	17-3854	97,000
Spot Tie Inserter	2	17-3855 and 17-3856	88,000
Tie Remover	6	17-3888 through 17-3993	685,000

* All numbers are inclusive.

<u>Description</u>	<u>Quantity</u>	<u>CNW System Number*</u>	<u>Estimated Cost</u>
Tie Shear	1	17-3887	97,000
Scarifier-Insertter	6	17-3865 through 17-3870	417,000
Spike Setter - Drivers	5	17-3885, 17-3886, 17-3851 through 17-3853	418,000
Utility Tampers (EA-Mark I)	2	17-3896 and 17-3897	242,000
Production Tampers (Mod 6700)	2	17-3861 and 17-3862	410,000
Production Tampers (ESTR 130 AG-Mark III)	2	17-3863 and 17-3864	384,000
Switch Tampers (MOD 3300S)	2	17-3859 and 17-3860	192,000
Switch Tampers (ES MARK II)	2	17-3857 and 17-3858	186,000
Hydraulic Spike Pullers	2	17-3913 and 17-3914	25,000
Ballast Regulators	9	17-3871 through 17-3879	820,000
Brush Cutters	3	17-3882 through 17-3884	400,000
Gar Top Material Handlers	2	17-3894 and 17-3895	260,000
Ditcher - Spreader with Plow	1	CNW-11993	258,000

<u>Description</u>	<u>Quantity</u>	<u>CNW System Number*</u>	<u>Estimated Cost</u>
18 Ton Tilt-Tip Trailers	4	19-1486 through 19-1489	49,000
Snowblower	1	17-3850	66,000
Parts Trailer	2	19-1484 and 19-1485	16,000
15T Hy Rail Crane	1	17-3916	\$ 160,000
Tie Plate Sweeper	1	17-3917	56,000
Wide Gauge Threader	1	17-3918	162,000
Rail Heater	1	17-3919	74,000
Threader Cart system	1	17-3920	63,000
Dual Tie Adzer	1	17-3921	303,000
Dual Ballast Cribber	1	17-3922	180,000
Spike & Anchor Retriever	1	17-3923	85,000
Auto Anchor	4	17-3924 through 17-3927	400,000
Dual Spike Pullers	3	17-3928 through 17-3930	90,000
Tie Plug Insertter	4	17-3931 through 17-3934	84,000
Dual Tie Plate Remover	1	17-3935	84,000
Tie End Sweeper	1	17-3936	<u>41,000</u>
<u>Total Estimated Schedule "A" Cost</u>			<u>\$8,691,000</u>

D7/32rb

STIPULATED/ECONOMIC LOSS VALUE SCHEDULE

Termination Value
% of Total Asset Cost(1)

1 Jul 84	101.15827
1 Oct 84	102.05505
1 Jan 85	100.99838
1 Apr 85	100.68048
1 Jul 85	97.70921
1 Oct 85	98.00167
1 Jan 86	95.70083
1 Apr 86	94.69955
1 Jul 86	91.18107
1 Oct 86	91.02583
1 Jan 87	87.76773
1 Apr 87	86.09376
1 Jul 87	81.96009
1 Oct 87	81.24676
1 Jan 88	77.05608
1 Apr 88	74.67105
1 Jul 88	69.83250
1 Oct 88	68.42376
1 Jan 89	64.16082
1 Apr 89	61.43055
1 Jul 89	55.90938
1 Oct 89	53.75439
1 Jan 90	49.81174
1 Apr 90	46.68625
1 Jul 90	43.87570
1 Oct 90	41.44643
1 Jan 91	36.90610
1 Apr 91	33.48977
1 Jul 91	30.35640
1 Oct 91	27.56965
1 Jan 92	23.42194
1 Apr 92	20.08626
1 Jul 92	21.00000

(1) The above listed percentages do not include the rental payment that would be due on the appropriate date.

CERTIFICATE OF INSPECTION AND ACCEPTANCE

under

EQUIPMENT LEASE dated as of March 1, 1984 (the "Lease") between Sheridan II Leasing Corporation, as lessor (the "Lessor"), and Chicago and North Western Transportation Company, as lessee (the "Lessee"). All terms used herein shall have the same meanings as are ascribed to them in the Lease.

The Lessee hereby certifies that each Item of Equipment set forth and described in Attachment 1 hereto has been delivered to the location indicated in Attachment 1 for each such Item, tested and inspected by Lessee, found to be in good order and accepted as an Item of Equipment under the Lease, each on the date ("Acceptance Date") indicated in Attachment 1 for such Item.

CHICAGO AND NORTH WESTERN TRANSPORTATION
COMPANY, as Lessee

By: _____

Title: _____

Date: _____

Bill of Sale

_____, a
corporation (hereinafter called the "Seller"), in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations the receipt of all of which by it is hereby acknowledged, has bargained, sold, conveyed, transferred and delivered, and by these presents does hereby bargain, sell, grant, convey, transfer and deliver unto Sheridan II Leasing Corporation (hereinafter called the "Purchaser"), the following unit(s) of Equipment:

TO HAVE AND TO HOLD the same unto the said Purchaser, its successors and assigns forever;

THE SELLER HEREBY WARRANTS to the Purchaser, its successors or assigns, that at the time of delivery of each unit of the Equipment to the Purchaser, as aforesaid, each such unit was unused equipment, the Seller had legal title thereto, and good and lawful right to sell the same, and that title to said unit was then free of all claims, liens, encumbrances and security interests of any nature, and the Seller covenants that it will warrant and defend such title against all claims and demands whatsoever;

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed in its name by its _____, thereunto duly authorized, and its corporate seal to be hereunto affixed and to be attested by _____, this ____ day of _____, 1984.

By _____
(Signature)

[CORPORATE SEAL]

Attest:

Date _____

Attention:

Senior Vice President and General Counsel

Gentlemen:

As counsel for _____
(the "Seller"), I am familiar with the sale to you, pursuant
to the Bill of Sale dated as of _____ (the
"Bill of Sale") from the Seller to you of the following
unit(s) of equipment (the "Equipment"):

I am of the opinion that:

1. Seller is a corporation duly organized and
existing in good standing under the laws of the State of
_____.

2. The Bill of Sale has been duly authorized,
executed and delivered by the Seller, is not in conflict
with the charter or by-laws of the Seller, any court or
administrative decree binding upon the Seller or any agree-
ment binding upon the Seller of which I have knowledge, and
constitutes a valid, legal and binding instrument of the
Seller enforceable in accordance with its terms; and

3. Such Bill of Sale is valid and effective to
transfer, and does transfer, good and marketable title to
the Equipment herein described to the Purchaser free and
clear of all claims, liens, and encumbrances of any nature.

Attorney for

(Letterhead of Counsel to Lessee)

Attention:

President

Gentlemen:

As counsel for Chicago and North Western Transportation Company, a Delaware corporation (the "Lessee"), I am familiar with the Equipment Lease Agreement dated as of March 1, 1984 (the "Lease") between Sheridan II Leasing Corporation (the "Lessor") and the Lessee and the other documents and instruments entered into by the Lessee in connection with the transactions contemplated by the Lease, including the General Assignment of Purchase Orders dated as of March 1, 1984 (the "General Assignment of Purchase Orders") between the Lessee and the Lessor; and I have examined such corporate and other documents and records and such questions of law as I have considered necessary or appropriate for purposes of this opinion. The terms used herein, unless otherwise defined, are those used in the Lease. On the basis of such examination, I advise you that in my opinion:

(a) The Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is duly qualified to do business in each jurisdiction where its ownership or lease of property or the conduct of its business require such qualification, and has full corporate power and authority to hold property under lease and to enter into and perform its obligations under the Lease and the other documents and instruments entered into by the Lessee in connection with the transactions contemplated thereby.

(b) The execution, delivery and performance by the Lessee of the Lease and all other agreements entered into by the Lessee in connection with the transactions contemplated by the Lease have been duly authorized by all necessary corporate action on the part of the Lessee, do not contravene any

law or governmental rule, regulation or order applicable to the Lessee, do not and will not contravene any provisions of, or constitute a default under, any indenture, mortgage, contract or other instrument to which the Lessee is a party or by which it is bound or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the Items of Equipment (as defined in the Lease) (except for Permitted Liens as defined in the Finance Agreement), have been duly executed and delivered by the Lessee and, assuming the due authorization, execution and delivery thereof by each other party thereto, constitute the legal, valid and binding agreement of the Lessee, enforceable in accordance with their terms (subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally).

(c) No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of, any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Lessee of the agreements referred to in (a) and (b) above.

(d) As of the date of execution of the Lease by the Lessee, except as reflected in the annual report of the Lessee to the Securities and Exchange Commission ("SEC") on Form 10-K for the fiscal year ended December 31, 1983, in other reports to the SEC, and in Schedule 3.10 to the Finance Agreement between the Lessee and the United States of America represented by the Federal Railroad Administration dated as of December 19, 1983 (receipt of which are acknowledged by the Lender and the Lessor), there are no actions, suits or proceedings at law or in equity pending or, to my knowledge, threatened against or affecting the Lessee in any court or before any arbitrator or governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Lessee to perform its obligations under any of the agreements referred to in (a) above.

Very truly yours,

Exhibit "E"

General Assignment of Purchase Orders

THIS GENERAL ASSIGNMENT of PURCHASE ORDERS is dated as of March 1, 1984 between North Western Leasing Company (the Assignor"), a wholly-owned subsidiary of Chicago and North Western Transportation Company ("CNW") and Sheridan II Leasing Corporation (the "Lessor").

A. The Assignor has entered into various purchase agreements or orders with vendors to provide for the manufacture and delivery of various items of equipment described in Schedule I hereto, copies of which purchase orders are attached as Exhibit A hereto (the "Purchase Orders"). The equipment described in Schedule I which becomes an Item of Equipment as defined in the Equipment Lease Agreement between Lessor and CNW dated as of the date hereof (the "Lease"), and is made subject to the terms hereof is hereinafter referred to collectively as the "Equipment" and individually as an "Item of Equipment."

B. CNW desires to lease rather than purchase the Equipment and the Lessor is willing to acquire certain of the Assignor's rights and interests under the Purchase Orders as the same relate to the Equipment, all on the terms and conditions hereinafter set forth.

C. Upon purchase of the Equipment by the Lessor, the CNW shall thereupon lease the Equipment from the Lessor under the Lease.

In consideration of the mutual covenants herein contained, the Lessor and the Assignor agree as follows:

1. The Assignor does hereby sell, assign, transfer and set over unto the Lessor all of the Assignor's right, title and interest in, to and under each of those Purchase Orders, including, without limitation, (a) the right to purchase and take title to each such Item of Equipment pursuant to the applicable Purchase Order, (b) all claims for damages in respect of any such Items of Equipment arising as a result of any default by the vendor under the Purchase Order, and all claims arising thereunder, in respect of such Item of Equipment, and (c) any and all rights of the Assignor, including, without limitation, the rights with respect to spare parts, the right to demand, accept and retain all rights in and to data and service which the vendor is obligated to provide or does provide, pursuant to the Purchase Orders, right to compel performance of the terms of the Purchase Order and to enforce all claims and receive any and all money due or to become due to the

Assignor in respect of such Equipment or the Purchase Orders; reserving to the Assignor, however, with respect to each Item of Equipment so long and only so long as such Item of Equipment shall be subject to the Lease and the Assignor shall be entitled to possession of such Item of Equipment thereunder, (x) the rights to demand, accept and retain all rights in and to all property (other than such Item of Equipment), data and service which the vendor is obligated to provide, or does provide, pursuant to the Purchase Order, (y) all rights, if any, with respect to spare parts as provided in the Purchase Order, and (z) the right, if any, to obtain instructions and data pursuant to the Purchase Order.

Notwithstanding the foregoing, so long as the Lessor shall not have declared the Lease to be in default or until redelivery to the Lessor of an Item of Equipment in accordance with the Lease, the Lessor authorizes the Assignor, to the exclusion of the Lessor, to exercise in their name all rights and powers of the buyer under each Purchase Order (including, without limitation, the right to amend (except to the extent that such amendment would change the nature of the Equipment) or terminate any such Purchase Order, enforce any warranty, covenant, etc.), except that neither CNW nor Assignor may exercise any right to purchase or take title to an Item of Equipment, except as hereinafter provided.

Lessor agrees, that upon any payment to Lessor with respect to an Item of Equipment under the Lease by CNW with respect to which any vendor has warranted, covenanted or otherwise made a representation concerning such Item of Equipment to Lessor, Lessor, shall assign and subrogate its rights against such vendor to the CNW and shall take all steps reasonably necessary to assist CNW in enforcing such rights against the vendor to the extent necessary to enable CNW to recover such payment.

2. It is expressly agreed that, anything herein contained to the contrary notwithstanding:

(a) The exercise by the Lessor of any of the rights assigned hereunder shall not release the Assignor from any of its duties or obligations to the manufacturer or seller under each such Purchase Order except to the extent that such exercise by the Lessor shall constitute performance of such duties or obligations;

(b) The Lessor shall not have or hereafter acquire any obligation or liability under any such Purchase Order by reason of, or arising out of, this Assignment or be obligated to perform any of the obligations or duties of the Assignor or CNW under any

such Purchase Order or to make any payment (other than to make the payments with respect to each Item of Equipment to the extent and upon the terms and conditions set forth in the Lease) or to make any inquiry as to the sufficiency of any payment received by either of them or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder;

(c) the Assignor at all times shall remain liable to the builder or vendor under each Purchase Order to perform all of the duties and obligations of the purchaser under the Purchase Order to the same extent as if this Assignment had not been executed; and

(d) Assignor represents and warrants that:

(i) Assignor is a corporation duly organized, validly existing and in good standing under the laws of Delaware;

(ii) Assignor has the full power and authority to execute and deliver this Assignment and to carry out the transactions contemplated hereby;

(iii) This Assignment has been duly authorized, executed and delivered by Assignor and constitutes the legal, valid and binding obligation of Assignor enforceable against it in accordance with the terms hereto; subject, as to enforceability of remedies to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally and to general principles of equity;

(iv) No authorization, consent, or approval of any governmental authority is required for the execution, delivery or performance by Assignor of this Agreement; and

(v) Assignor is a wholly-owned subsidiary of CNW.

(e) the execution of this Assignment shall not modify any contractual rights of the builder or vendor under any Purchase Order and the liabilities of such builder or vendor under such Purchase Order shall be to the same extent and continue as if this Assignment had not been executed.

The Lessor shall not have any obligation hereunder or under the Lease or the Finance and Security Agreement among Lessor, CNW and United States Steel Credit Corporation dated as of the date hereof (the "Finance Agreement"), to any builder or vendor in respect of any Items of Equipment not delivered and accepted on or before August 31, 1984, or with respect to which the purchase price would cause the Cost (as defined in the Lease) for such Item and all other Items previously delivered to and accepted on behalf of the Lessor to exceed \$10,750,000, or would cause the total cost of all Schedule "Y" Equipment (as defined in the Finance Agreement) to exceed \$1,800,000 or which the Lessor is not required to purchase pursuant to the terms of the Lease. Furthermore, in the event that the documents required to be delivered pursuant to Section 9b of the Lease cannot be delivered for any Item of Equipment, the Lessor shall have no obligation to purchase such Item of Equipment. Any such Item for which such obligations are so terminated shall be immediately excluded from the terms and provisions of this Assignment, the Lease and the Finance Agreement, and in the event of such exclusion the Assignor agrees with the Lessor that the Assignor will be obligated to purchase from the builder or vendor, and will accept delivery of and pay for, any Item or Items so excluded from this Assignment.

3. The Assignor does hereby constitute the Lessor the true and lawful attorney of the Assignor, irrevocably with full power (in the name of the Assignor or otherwise) to, if an Event of Default (as defined in the Lease) has occurred and is continuing, ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for money due and to become due under, or arising out of, any Purchase Order to the extent that the same have been assigned by this Agreement, to endorse any checks or other instruments or orders in connection therewith, to execute and deliver such further instruments and take such further action as the Lessor deems reasonable to obtain the full benefits hereof and to file any claims or take any action or institute any proceedings which to the Lessor may seem to be necessary or advisable in the premises.

4. The Assignor agrees that at any time and from time to time, upon the written request of the Lessor, the Assignor will promptly and duly execute and deliver or cause to be executed and delivered on its behalf any and all such further instruments and documents and take such further action as the Lessor may reasonably request in order to obtain the full benefits of this Assignment and of the rights and powers herein granted.

5. This Assignment shall be governed by, and for all purposes construed in accordance with, the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties hereto have caused
this Assignment to be duly executed as of the day and year
first above written.

NORTH WESTERN LEASING COMPANY,
Lessee

By _____

Title _____

SHERIDAN II LEASING CORPORATION,
LESSOR

By _____

Title _____

L/P112-898

Attachment
(to General Assignment of Orders)

CONSENT AND AGREEMENT

The undersigned, _____ (the "Builder") acknowledges receipt of a form of General Assignment of Purchase Orders dated as of March 1, 1984 (the "Agreement") entered into between Sheridan II Leasing Corporation (the "Lessor") and North Western Leasing Company (the "Assignor"), and as an inducement to and as part of the consideration for the performance by the parties thereof of their obligations thereunder:

1. Consent to the assignment by the Assignor to the Lessor of all of the Assignor's rights and interest in and to the Purchase Order between Builder and Assignor, a copy of which is attached, subject to the reservations referred to in Section 1 and the last paragraph of Section 2 of the Agreement.

2. Agrees that, except as specifically set forth in the Agreement, none of the duties or obligations of the Assignor under any agreements of any nature between the Builder and the Assignor have been assigned to or in any manner assumed by the Lessor.

3. Agrees that all representations, warranties, indemnities and agreements of the Builder under the Purchase Order shall inure to the benefit of the Lessor to the same extent as if originally named the buyer of the Equipment.

4. Represents that the Purchase Order and this Agreement constitute a legal, valid and binding obligation of the Builder enforceable against the Builder in accordance with the terms thereof, and the Builder is not in default under any provisions of the Purchase Order.

Dated:

By: _____

Its: _____

Certificate

I, _____,
_____ of CHICAGO AND NORTH WESTERN TRANSPORTATION
COMPANY (the "Lessee"), DO HEREBY CERTIFY AS FOLLOWS:

To the best of my knowledge, no Event of Default
(as defined in the Equipment Lease Agreement dated as of
March 1, 1984) or other event which with the giving of
notice or the lapse of time, or both, would become an Event
of Default, has occurred.

Dated: _____